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₹100

# maritime gateway

NOVEMBER 2014 WWW.MARITIMEGATEWAY.COM

RNI NO: TELENG/2009/30633 POSTAL REGISTRATION NO: LII/RNP/HD/1137/2013-15

DATE OF PUBLICATION: 26/10/2014

**"PORTS NEED TO CONNECT WITH PEOPLE RATIONALLY, EMOTIONALLY"**

**Eddy Bruyninckx,** CEO, Port of Antwerp

## PORT-LED DEVELOPMENT WITH SAGAR MALA

# REBIRTH OF THE DREAM

After conquering space with the Mars Orbiter Mission, India attempts to conquer the seas with the proposed Sagar Mala project. After a ten year downtime, the project has been revived and driven with much gusto by the Ministry of Shipping. If the current momentum of work is anything to go by, in ten years India would have created its piece de resistance silencing naysayers and altering forever the way India does business with the world

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Maritime Gateway is printed by R Ramprasad published by R Ramprasad on behalf of Gateway Media Pvt Ltd, #407, 5th Floor, Pavani Plaza, Khairatabad, Hyderabad – 500 004, Telangana, India and Printed at M/s Kala Jyothi Process Pvt Ltd, 1-1-60/5, RTC Cross Roads, Musheerabad, Hyderabad - 500 020. and Published at Gateway Media Pvt Ltd #407, 5th Floor, Pavani Plaza, Khairatabad, Hyderabad – 500 004, Telangana, India

Regd. Office: H.No. 8-2-293/82/A/379 & 379/A, 2nd Floor, Plot No. 379, Road No. 10, Jubilee Hills, Hyderabad - 500 033.

CIN: U74900AP2007PTC054344

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# Maharashtra Mandate: Time to focus on port-led development

The thumping mandate handed by the Maharashtra electorate to the Bharatiya Janata Party was no real surprise. In fact, though everyone from within and outside the BJP camp expected a dozen odd extra wins, the sensex and the commodity markets seem to be quite pleased. The gains of some key stocks reflected the positive sentiment among traders and tie-sporters in the financial capital.

With thanks giving round the corner, it won't be a bad idea for Modi's government to gift the country a handsome reward for entrusting so much faith in his leadership. Almost six months into power, it's time for his government to push for reforms in all sectors since big elections are now out of the way. The deregulation of diesel prices and increase in the cost of natural gas to lighten the fiscal deficit are big reforms that were waiting in the wings and the centre's announcement reflects positively on its commitment to reforms. Another big surprise they threw in soon after the state elections was the ordinance promulgated to deal with cancelling coal block auctions. The e-auction move is considered transparent will lead to better commercial mining prospects with private participants being more certain of their allocation. Staying on this note, the government's next step should be to facilitate greater imports of cheaper coal from China and Australia by entering into long term contracts. In the last few years, many Indian infrastructure companies invested in buying coal mines to power their thermal generating plants along the coasts. Ports along both coasts should be urged to upgrade their bulk handling infrastructure introducing efficient technology. While Paradip Port has made sufficient investment anticipating larger volumes of black gold, ports along the West Coast have done little in this regard, particularly Maharashtra's non-major ports. The state has been excessively relying on the Jawaharlal Nehru Port and as a result other ports are being dwarfed by the major port. Dighi Port is yet to achieve a milestone leaving Jindal's Jaigarh Port in the Ratnagiri district the only other active port in the state. The state's maritime board has to release a new port policy welcoming all forms of investment and promoting coastal movement of vessels. It might help to take a tip or two from its neighbour, Gujarat Maritime Board that regularly draws investors to better the performance of its ports.

**Ports along both coasts should be urged to upgrade their bulk handling infrastructure**

Maharashtra could now set an example of port-led development and take in to rope in all stakeholders to better connectivity and usage of its 720-km coastline.

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NOVEMBER 2014

VOLUME 7 ISSUE 02

## Containers: Real estate's hot new play

*Every day, 21,000 of shipping containers sail into US ports, but just a fraction ever go back. Strong, durable and eminently recyclable, they present an incredible opportunity for developers of environmentally friendly, sustainable real estate.*

*"The structural integrity of a shipping container is paramount. It's the starting point," said David Campbell, CEO, Boxman Studios, standing in a sea of containers in his North Carolina, factory. "It's a really great building platform. Take the raw form and transform it into something that's larger in scale – retail space, restaurants, multifamily apartment."*

## Adani Ports & SEZ bags 'Emerging Company of the Year' at the ET Awards 2014

Adani Ports & Special Economic Zone (APSEZ) is the biggest success story in the Indian port industry, reported *Economic Times*. Today, while government port expansion is taking time to take off, 20-year-old Adani Ports has carved a niche for itself, and a loyal customer base. The company's revenue for the last financial year was ₹5,508 crore, up 43 per cent from a year earlier. When pitted against its peers, APSEZ's performance looks pretty impressive.

## Cochin Shipyard declares 15 per cent dividend

Cochin Shipyard Limited (CSL) has declared a dividend of 15 per cent for the previous financial year. CSL continued to post impressive performance during 2013-14 with a turnover of ₹1,637 crore as against the previous year's figure of ₹1,554 crore. The net profit during the year was ₹194 crore as against the previous year's profit of ₹185 crore. The company also contributed ₹162.10 crore to the national exchequer by way of value added tax, income tax, excise duty, customs duty and service tax.

CSL has launched an international ship repair facility project at Cochin Port Trust area. CSL has completed 10 repair projects so far.

## RBI cuts export credit refinance facility to 15 per cent

The Reserve Bank of India's decision to cut the refinance facility for exporters has not gone down well, at a time when outbound shipments have been hit by a slowing in demand abroad. RBI has cut the export credit refinance (ECR) facility from 32 per cent of banks' eligible export credit to 15 per cent, with effect from October 10. This is the second time it has done so this financial year; it had reduced it from 50 per cent in the June review.

"A second-time reduction in the current year does not augur well for exports and might affect both the flow and cost of credit to the sector, affecting micro and small companies the most," said Rafeeque Ahmed, president of the Federation of Indian Export Organisations.

Exports grew at a five-month low of 2.35 per cent in August, to $26.95 billion. Ahmed said the micro, small and medium export sector was also under the shadow of a tapering in the US Federal Reserve's quantitative easing.

## Maersk raises $1.25bn in bond offering

Maersk has successfully raised $1.25 billion as proceeds in two bond offerings. The net proceeds will be used for general corporate purposes. This is the first ever US Dollar bond offering for the shipping line, which was underwritten by Bank of America, Merrill Lynch, Barclays, Citigroup, JP Morgan and Royal Bank of Scotland.

The four-year bond was priced at $750 million, which will be due in September 2019 and another 10-year bond worth $500 million will be due in September 2024. Both tranches are expected to be rated BBB+ by S&P and BAA1 by Moody's. Maersk has delivered consistently stable results for 2013 and 2014. In the first half of 2014 alone, Maersk increased profits by more than 55 per cent to $1.1 billion, joining only six of the 17 largest publicly-traded companies to be profitable in the first half of this year.

## India's business with ASEAN countries only 30 per cent of total trade

According to Ministry of External Affairs Secretary (East) Anil Wadhwa, India's business with ASEAN countries is only 30 per cent of total ASEAN trade, even as the thrust is on increasing business through infrastructural development connecting important trade points. India being a part of RCEP, the largest economic partnerships across the world having more than 10 countries, has a great potential in enjoying trade benefits with its neighbouring countries, Wadhwa added.

Infrastructure development will lead to increase in transport of passengers and goods through Bay of Bengal and Indian Ocean with much lesser cost, thereby increasing the competitiveness and efficacy of the sectors.

## India to become more reliant on coal imports

When the Supreme Court of India in the recent past ruled that almost all the coal blocks allotted for mining were illegal and had to be returned, the immediate reaction from Indian industry was that it will create fallout in India's power sector. Going by the average estimate put out by various ratings and research agencies, India's coal import bill is expected to go up by $22 billion in 2015-16.

The bottom lines of metal companies too are set to be negatively impacted after 2014-15 as, in the coming days, they would have no choice but to import coal to meet their needs. In 2015-16, players in the sponge iron and aluminum sectors are expected to see a fall in operating profits of between 900-1,000 bps and 300-400 bps decline, respectively, credit ratings agency Crisil said. A report by Fitch Ratings, too, held similar opinions.

## Asia-Europe freights at lowest level in a year

Freight rates for shipping containers from ports in Asia to Northern Europe fell 10.2 per cent to $738 per 20-foot container teu in the week ended on October 10. It was the fourth consecutive week of falling freight rates on the world's busiest route and the rate is the lowest since October 25 last year. Container freight rates have increased in 11 weeks this year but fallen in 29 weeks. Nils Smedegaard Andersen, chief executive of AP Moller-Maersk has warned that the industry will have to get used to gradually declining rates. "Everyone is hoping for the opposite but they are unrealistic in my opinion," Smedegaard said. "We will see gradually declining rates and it will continue to be a very tough business to be in."

Average rates for 2014 on the Asia-Europe route are $1,225 per teu compared with $1,090 last year.

## Major ports advised to consider landlord port model

## SCI to tap Southeast Asia to boost liner trade

The Shipping Corporation of India (SCI) is seeking to expand coastal shipping and transshipment of goods and strengthening the opportunities for trade in the Southeast Asian countries as a part of the country's 'Look East Policy.' It has identified Singapore, Vietnam and Thailand among potential areas for trade.

The Look East Policy hopes to boost trade in the region and also offers immense opportunity for ports located in the eastern part of the country such as Krishnapatnam, which has developed high-quality infrastructure, Sarveen Narula, Director of Liner & Passenger Services Division of SCI said. The heavy vessels calling Krishnapatnam port will aid trans-shipment to other locations. There are signs of increasing exports with items such as cement being added.

Several countries in the Far East have potential to boost the trade once new facilities are created. These include opportunities to launch services to Vietnam and Thailand, said Narula who is also part of the working group to draft recommendations for multimodal transport network in the country.

## Ravi Gaitonde takes charge as Chief Operating Officer, APM Terminals Mumbai

Ravi Gaitonde has been appointed as Chief Operating Officer, APM Terminals Mumbai effective October 13, 2014. Rajieve Krishnan has moved up to take the position of Director of Regulatory Affairs. A snapshot of Ravi's diverse experience in the shipping, ports/terminal business reveals the value he brings to this role. He has been holding senior positions within the group in India and abroad, notably UAE and Tanzania. He moved back to India in 2003 to assume the role of Managing Director, Star Track Terminals Private Limited, a joint venture between APM Terminals and the Container Corporation of India to set up the greenfield project and operate the Container Freight Station at Dadri in North India. On successful completion and implementation of the project, Ravi took up the position of Head of Projects for India. Since 2008 Ravi has successfully led APM Terminals Pipavav (Gujarat Pipavav Port Limited) as its Chief Operating Officer through a period of growth and improved profitability.

# VOICES

A decision has been taken that the coastal vessels which are carrying exim cargo or containers will be given duty free fuel ... It suddenly cuts down fuel cost in coastal shipping.

- **Vishwapati Trivedi**
Shipping Secretary

The time is right for Austria and India not only to explore the huge potential that exists between the two countries, but also implement it. Despite more than 40 Austrian companies being located in Mumbai and across India, there was room for many more to enhance trade.

- **Bernhard Wrabetz**
Austrian Ambassador to India

Ports under the shipping ministry plan to go paperless. This is a delayed but much desired decision. While customs and banks are on electronic data interchange mechanism, shipping hasn't come on board yet completely. According to FIEO, the initiative will bring down transaction costs by 2-3 per cent, which will accrue benefits of $16-24 billion.

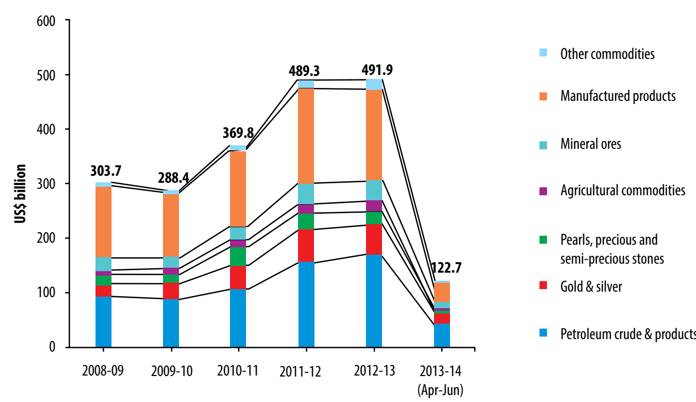
- **Ajay Sahai**
Director-general and CEO of Federation of Indian Export Organisations (FIEO)

# NUMBERS

## Textile exports in first 11 months of financial years

| Item | | Exports ($ bn) | % change |
|---|---|---|---|
| Cotton readymade garment | 2011-12 | 8.78 | |
| | 2012-13 | 7.53 | -14.19 |
| | 2013-14 | 8.15 | 8.14 |
| Cotton fabrics, made ups | 2011-12 | 6.21 | |
| | 2012-13 | 6.73 | 8.3 |
| | 2013-14 | 8.07 | 19.9 |
| Man-made fabrics made ups | 2011-12 | 4.68 | |
| | 2012-13 | 4.09 | 12.47 |
| | 2013-14 | 4.63 | 12.95 |
| Man-made readymade garments | 2011-12 | NA | |
| | 2012-13 | 2.23 | |
| | 2013-14 | 2.80 | 25.73 |

## India's import pattern




## Top players in global shipbuilding and repair industry

| | Rank in 2007 | Rank in 2013 | Gross tonnage completed & market share of world's top 10 shipbuilding nations in 2013 | | |
|---|---|---|---|---|---|
| 1 | South Korea | China | China | 25,903 | 36.8% |
| 2 | Japan | South Korea | South Korea | 24,504 | 34.8% |
| 3 | China | Japan | Japan | 14,588 | 20.7% |
| 4 | Germany | Philippines | Philippines | 1,331 | 1.9% |
| 5 | Denmark | Vietnam | Vietnam | 542 | 0.8% |
| 6 | Italy | Romania | Romania | 504 | 0.7% |
| 7 | Croatia | Taiwan | Taiwan | 483 | 0.7% |
| 8 | Taiwan | Germany | Germany | 448 | 0.5% |
| 9 | Poland | India | India | 216 | 0.4% |
| 10 | Turkey | Turkey | Turkey | 194 | 0.3% |

Top 3 players account for 92% of global market

European shipbuilders
Asian shipbuilders

Unit: Gross tonnage (thousands)

*Source: IHS World Shipbuilding Statistics, Shipbuilders' Association of Japan*

## Import Services to operate DP World London Gateway's Common Use Facility


A unique partnership between DP World London Gateway and Import Services Ltd will ensure that all shippers – large or small – benefit from low-cost supply chain opportunities at London Gateway's new Common User Facility. Following a rigorous selection process, DP World has appointed Import Services to act on its behalf as operator and manager at the Common User Facility (CUF) now being built at London Gateway Logistics Park.

The steelwork for the first phase of the 386,000 sq ft multipurpose cargo handling centre is nearly complete and the development is on target to open in Q2 2015. Southampton-based Import Services will initially take on a significant portion of the new development and provide a menu of logistics services and activities on a 'pay-as-you-go' basis. Services will range from basic devanning to cross-docking, storage and value-added activities such as pick-and-pack, labelling, pre-retail and distribution.

London Gateway Logistics Park, located on the doorstep of Europe's largest consumer market enables exporters and importers to reduce costs, carbon emissions and increase efficiency and reliability. As demand for logistics and distribution facilities closer to market increases, coupled with a greater need for flexibility and agility in supply chain networks, the shared-user model on offer at London Gateway will provide a 'best-fit' solution. DP World London Gateway and Import Services have been working together to develop the fit-out of the CUF building and establish the day-to-day processes such as internal shunting of containers from the port's quayside to the logistics park.

## Major Ports Trusts Act amendment bill could be tabled during winter session of Parliament

The government plans to introduce the Bill to amend the Major Port Trusts Act this December when all the elected members convene to take major decisions. Though amendments to the bill have been in the works for a many years now, officials from the Ministry hope it would be tabled and passed this session. The changes to the bill will help improve productivity, allow the ports to raise capital by tapping the market and also hopefully free the 12 ports from the tight grip of the Tariff Authority for Major Ports (TAMP), enabling the market to determine tariff. Also, one of the major changes that one could look forward to is greater autonomy for the ports to take decisions. Several commissioned projects in the past took many years to implement as the ports were awaiting Central clearance. The officials who are finalising the bill hope there is no opposition from the port and its unions like in the past that stalled changes proposed earlier.

## Shipping alliances to be monitored for price manipulations

Some of the biggest companies moving their products across busy ocean routes have asked the US maritime watchdog to closely monitor giant shipping alliances for price manipulation in freight rates, and to push the shipping companies to share some of the cost savings achieved through their tie-ups.

The European Shippers Council, representing companies such as chemical producer BASF SE, tire maker Cie. Générale des Établissements, Michelin and industrial conglomerate Siemens AG, wants the US Federal Maritime Commission to impose a monitoring system that will ensure shipping companies don't boost freight rates on cargo moved on the Asia-Europe loop and across the Pacific and Atlantic oceans.

## Karnataka calls for private investments in ports

Private investors have queued up in Karnataka to invest and run five ports along its coast, the state's minister for ports Baburao Chinchasur announced recently at Mangalore. Karnataka's Port Development Policy called for investments where it specified five locations for building ports and increasing exports and imports for the state. The five ports shall be developed under the public private partnership model where the state government will acquire land and ease the process of doing business by according clearances. The five locations chosen are Honnavar, Manki, Mavinakurve, Basavaraj Durga Island, Belekeri and Thadadi ports. Several infrastructure players from Andhra Pradesh and Karnataka have been spoken to for undertaking these projects. Among them are Renuka Sugars, Ashraya Ltd and Adani Ports to develop some of the ports. The chief minister Siddaramaiah said the tender process for extending the jetty at Karwar had already begun and is expected to cost around ₹1,500 crore.

## Adani on the lookout for port assets and LNG terminals overseas

Adani Ports & Special Economic Zone (APSEZ) has begun a serious scout for port assets in the international market, more than 18 months after it sold its Australian port assets to the Adani family, far below the purchase price. The company has now set up a team to scour global port assets that are on the block in Southeast Asia, Africa, Canada and Australia.

"Most global ports are owned by respective governments, while terminals are run by private parties. We are only interested in acquiring ports as a whole. Our interest lies in running dry bulk and container ports. We are also looking at LNG terminal operations abroad," said an official at APSEZ.

APSEZ's fresh overseas expansion plan comes at the risk of increasing its debt. Interestingly, the company, in a bid to avoid debt trap, had in March 2013 sold Abbot Point, the 50 million tonne per annum operational terminal in North Queensland (Australia). The asset bought for AUS$1.829 billion (₹9,806 crore) in June 2011 was sold to Adani family for cash consideration of AUS$235.7 million (₹1,265 crore) and a slew of guarantees on March 30, 2013.

## Government to facilitate investment in inland waterways

With an eye on attracting investments in the inland waterways sector, government is looking at facilitating more funding in that space to make it economically viable for business. "We have to build terminals, waterports and seaports. We are ready to give you all facilities, concessions to make this sector economically viable for investors," said Minister for Road Transport, Highways and Shipping, Nitin Gadkari while addressing an ACMA event. The sector has not been given due importance in the country vis-a-vis China, where waterways contribute 20 per cent of the total traffic, he said.

## Amazon partners with Patel Logistics to deliver faster

With one-day delivery becoming the new mantra of online retailers, Amazon has partnered with Patel Logistics to hasten the delivery of goods to customers in India. The air cargo arrangement ensued many exclusive tie-ups that Patel Logistics had with Indigo, Spice Jet and Jet Airways to airlift cargo and disburse it to places of delivery. Amazon tied up with the local player to ensure the number of logistics hurdles are minimal while moving goods. Patel logistics is a 50-year old company that has a robust network of transporters and is responsible for moving cargo from one airport to another. From there on, Amazon will ship products to the final destinations using services of other companies such as Gati, Blue Dart and Fedex. Patel logistics is a pioneer in express delivery and hopes to move material to even Tier II towns and cities such as Trivandrum and Aurangabad. This drive is part of every logistics company to slash the cost of moving goods from warehouse to the final destination.

## In a sea change, FCI uses ships to transport grain

With logistical bottlenecks to on-land transportation a huge dampener, the Food Corporation of India (FCI) is increasingly relying on waterways to take PDS grain to various parts of the country.

Just a few weeks ago, FCI struck a deal with Bangladesh to transport subsidised grain from Kolkata to Tripura via the neighbouring country's Ashuganj Port along the Padma river. Now, it has started transporting grain via ship from Andhra Pradesh to Kerala too. The corporation has contracted Mumbai-based Shreyas Relay System to transport 20,000 tonnes of rice a month from the Kakinada Port of grain-surplus Andhra Pradesh to Kerala's Vallarpadam container terminal – in the process reducing the overall cost significantly. On the face of it, while there is not much difference in terms of cost between the rail/road and sea routes, sources say the latter helps FCI save on demurrage to the railways.

## India wary of increasing Chinese steel exports

In August this year, factory steel output in China grew the least in about six years. This coupled with the dwindling growth in the Chinese housing sector are a cause of worry for many in the Indian steel sector. "Considering China's massive steelmaking capacity and the year-on-year rise in production, the mismatches between domestic demand and supply could lead to a marked rise in steel exports. This is proving to be upsetting for steelmakers in countries where Chinese products are shipped in volumes," says Steel Authority of India Ltd Chairman Chandra Shekhar Verma.

China is reported to have shipped 52.4 million tonnes (mt) of steel in the first eight months of this year, up 36 per cent compared to the year-ago period. And, India has started

feeling the pinch. Between April and August, Indian steel imports rose 23 per cent year-on-year. The slowdown in demand from the housing and construction sectors in China has made that country an aggressive seller of long products such as steel reinforcement bars (rebar). The gradual shift in the composition of Chinese exports – from flat to long products – is proving unsettling for India, which has substantial idle capacity in the long-steel segment.

## India to develop Ashuganj Port

India will develop a river port in Bangladesh to ferry essentials, foodgrain and heavy machinery to northeast region from different parts of the country and abroad. "To develop the Ashuganj Port over river Meghna, India would provide necessary funds. Both northeastern states of India and Bangladesh would be benefited if the river port's necessary infrastructures were developed," India's Deputy High Commissioner in Dhaka Sandeep Chakravorty said.

The WAPCOS (Water, Power Consultancy Services Limited) is preparing a DPR (Detailed Project Report) to develop the port. Ashuganj Port in eastern Bangladesh is around 40 km from Tripura capital Agartala. Chakravorty said that the Bangladesh government is also keen to provide access of Chittagong international port to India. "Both Indian and Bangladesh governments are serious (about developing) connectivity between the two countries," he said.

India has taken the first steps to construct a ₹70 crore ($11.5 million) bridge over the Feni river in Tripura to access Bangladeshi ports for transporting goods and heavy machinery from other parts of the country to the landlocked northeast and to boost trade and tourism. The Tripura government has asked a New Delhi-based private company to prepare a DPR to construct the bridge.

## India's LNG shipbuilding plan in jeopardy

A government-backed plan to build locally at least three of the nine new liquefied natural gas (LNG) carriers to be hired by GAIL (India) Ltd from fleet owners to haul gas from the US, is in jeopardy as LNG shipbuilders in South Korea and Japan are not keen to share technology with Indian yards, a key requirement for local yards to qualify for the tender.

Indian yards have never built LNG ships and need a tie-up with overseas yards to qualify. An LNG ship costs more than $200 million to build in today's market, according to a Mumbai-based shipbroker.

With a fortnight left for the tender to close, the development may potentially derail India's plan to get started in the LNG shipbuilding business.

"LNG shipbuilding yards in Korea and Japan are not showing interest in collaborating with Indian yards to share technology for constructing the three LNG carriers in India. We have asked the government to intervene in the issue," said an executive with one of the Indian yards looking to qualify for the tender.

## Gianluigi Aponte, founder of MSC, retires

Gianluigi Aponte, founder of the Mediterranean Shipping Company (MSC), has left the rudder of the Helvetic shipowning group to Diego Aponte who is named president and managing director. Diego Aponte entered MSC in 1997 and has since covered various managerial assignments in the group including that of vice president of the branch terminalista Terminal Investment Limited (TIL). Gianluigi Aponte, previously MSC president, will assume the new role of chairman and will continue to superview all the activities of the group supporting the son in the planning of the future of MSC.

## Goa Shipyard supplies naval equipment to Myanmar, Mauritius

In line with the new government's policy to promote export of defence hardware, Goa Shipyard Limited has supplied naval equipment to countries such as Myanmar and Mauritius and is pursuing orders from other friendly foreign nations.

"Contracts for two fast patrol vessels for Mauritius Coast Guard have been signed along with a contract with its government for supply of 11 fast interceptor boats for their coast guard. Further, contract for construction of damage control simulator for Myanmar Navy has become effective from April 10, 2014," a GSL release said.

"All the projects have been regularly reviewed by the customers and have got excellent reviews. The company is pursuing more export orders for its proven and much acclaimed products," GSL Chairman Rear Admiral Shekhar Mital said. The state-owned shipyard has registered a jump of ₹271 crore in its sales figures from last financial year.The company said it recorded its highest sales of ₹1,165 crore against ₹844 crore in the previous year and "this reflects the execution capabilities of the shipyard."

## CMA CGM upgrades service between Africa and India


CMA CGM Group has launched a new call on the Swahili service at Nhava Sheva NSCIT Terminal. This call will join directly India and Africa every week.

The Swahili service will offer:

Fast transit times that will directly join every week:

- Mombasa, the African largest market, to India within 14 days
- Nacala in Mozambique to India within 13 days and Zanzibar in Tanzania to India within 18 days, thanks to this only direct service for exports available on the market between those ports.

A railway line connects ICD and business areas in India, including Dadri, Ludhiana, Tughlakabad, Ahmedabad, Baroda, Jaipur and Jodhpur. A direct access from India to Africa is provided, thanks to bespoke intermodal solutions in Uganda, Democratic Republic of Congo, Malawi, Rwanda and Zambia, allowing flexible door-to-door options. The Swahili service loop, deploying a 72,000-teu fleet, will be as follows

Nhava Sheva – Jebel Ali – Khor Fakkan – Mombasa – Dar Es Salaam – Zanzibar – Nacala – Nhava Sheva.

## DP World Chennai welcomes maiden visit of Simatech Shipping vessel

DP World Chennai extended a warm welcome to *m.v. Holsatia*, operated by Simatech Shipping, on her maiden visit to Chennai as part of the India Far East Xpress (IFX) service, with an on-board event on October 11, 2014.

It was presided over by I Jeyakumar, Deputy Chairman of Chennai Port Trust, and T Johnson, Managing Director of Greenways Shipping, the agent for Simatech Shipping in Chennai. The CEO and Director of DP World Chennai, Ennarasu Karunesan, welcomed the delegates on the occasion and did the customary plaque exchange with the Master of the vessel. The weekly service is scheduled to call at Chennai every Thursday and sail out on Saturday. It will deploy three 3,600-teu and two 4,500-teu capacity vessels on the following port rotation:

**Westbound:** Kwangyang, Pusan, Shanghai, Ningbo, Shekou, Singapore, West Port Klang, Chennai

**Eastbound:** Chennai, West Port Klang, Singapore, Kwangyang, Pusan, Shanghai, Ningbo, Shekou

The IFX service also offers a reliable and efficient link to other destinations in China via the direct ports of call in North China, i.e. Xingang, Qingdao, Dalian, Zhanjiagang, Chongquing, Wuhan, Lianyungang, etc., and South China - Hong Kong, Huangpu, Xiamen, etc.

## Transas ECDIS chosen by Maersk Tankers again

The IMO requirement has phased installation of ECDIS on-board all ships, beginning July 2012. Maersk Tankers has selected Transas to address this by implementing ECDIS compliance program across the Maersk Tankers' fleet. The agreement includes ECDIS installations for both retrofit and for newbuilt vessels.

According to the agreement signed between Group Procurement in Maersk and Transas Marine, the vessels will be upgraded to the latest version of the Transas Navi-Sailor ECDIS Multifunction Display in dual configuration with official charts folio for paperless operation. The installations have already started and over the next months 68 Maersk Tankers' retrofit vessels will be equipped with the Transas ECDIS.

## Ports get ready to take in more coal imports

India's major ports are taking to dredging and procuring more cranes to deal with a surge in imported coal. While Paradip Port plans to dredge two of its berths for handling bigger ships, Kandla Port has begun the process of procuring additional cranes.

The higher traffic is a result of the country's fuel starved thermal power plants resorting to imports, as Coal India struggles to meet the demand. According to the Central Electricity Authority, 56 power plants in the country had critical (very less) coal stocks remaining.

Analysts estimate that coal and coking coal imports in August were 12 per cent higher than the same month last year at 9.41 million tonnes. This is after a 3.87 per cent increase in imports during the first quarter of 2014-15 at 50.94 million tonnes. With import volumes increasing, importers have started using larger vessels to get a freight advantage. "Importers are using 80,000-tonne gearless vessels instead of 60,000-tonne geared ones because of \$1-2 per tonne advantage they get in the freight rate," said a port official.

## Apollo LogiSolutions, India Glycols to build container depot

Apollo LogiSolutions Ltd. (ALS), the logistics arm of Apollo International Ltd of the Apollo Tyres group, has made its entry in the inland container depot (ICD) segment by entering into a joint venture with India Glycols Ltd.

ICDs or dry ports are temporary storage facilities away from ports, for import and export containers under customs and other government agencies. This facility is aimed at better equipping the company to handle and store containerised cargo as well as to provide port service to its hinterland customers.

The joint venture, called Kashipur Infrastructure Freight Terminal Pvt Ltd., will develop, manage and operate a freight terminal at Kashipur, Uttarakhand at a cost of ₹90 crore. Apollo LogiSolutions will hold 51 per cent in the JV. The facility is expected to be operational by April 2015. Recently, Apollo LogiSolutions acquired a controlling stake in the UAE-based Clarion Shipping Services LLC for ₹400 crore.

## Ennore Port to develop Puducherry as sister port

Kamarajar Port has been given the green signal by Puducherry government to develop the minor port of Puducherry as a sister port, according to Ennore Port chairman and managing director of Kmarajar Port M A Bhaskarachar. He said that a Memorandum of Understanding (MoU) to this effect has been signed between Puducherry government and Kamrajar Port.

A feasibility report has already been prepared and with the signing of MoU, work will be on to prepare a Detailed Project Report (DPR) for developing the port to handle cruise ships, bunkering and coastal movement of containers through barges.

## Maersk announces low-sulphur surcharge

Maersk Line have announced that from January 1, 2015 it will implement a surcharge on cargo with an origin or destination in the new low-sulphur zones.


These low-sulphur zones are being introduced by the European Union (EU) in the North Sea, Baltic Sea and English Channel as well as on both coasts of North America. The surcharge varies depending how many miles cargo remains in the control zone. The new regulations require the amount of sulphur in emissions to be reduced from 1 per cent to 0.1 per cent and low-sulphur fuel is thought to be 50-60 per cent more expensive. The world's second biggest shipping line Mediterranean Shipping Company has also announced similar charges.

The EU want to reduce levels of sulphur in the air as it causes respiratory problems when breathed in and can react with other substances to form sulphuric acid and sulphur particles. Cargo on the Asia-North Europe route will be charged $30 per forty-foot container (feu) and, on the US-North Europe route, the charge will be $140 per feu. The difference in the charge is because US-North Europe cargo has to go through two emissions zones, whereas Asia-North Europe cargo only enters one. Cargo heading to or from the Baltic zone (Russia, Finland, Latvia and Lithuania) will be charged an additional $100 per feu. The most affected service will be from Montreal to the Port of St Petersburg which goes through 5,000 miles of control zone in total.

## DCI gets ₹302 crore for Sethusamudram Project

Bright days are ahead for the Dredging Corporation of India (DCI) with the Ministry of Shipping deciding in-principle to pay off ₹302 crore towards the outstanding amount for dredging operations undertaken at the Sethusamudram Project.

An expert committee has recommended the payment of the amount after approval by the Union Cabinet. Confirming the development, DCI Chairman-cum-Managing Director Capt. DK Mohanty said their financial health would improve substantially once they received the amount.

During 2013-14, the DCI recorded a 21 per cent growth with the operational income increasing to ₹770.4 crore from ₹634.91 crore in the previous year. For this fiscal year, it has set a target of ₹850 crore for operational income.

The DCI has been waiting for a long to get the dues for the dredging operations it carried out in the Palk Straits in 2006 under most difficult circumstances. It was part of the Sethusamudram Ship Channel Project executed by the Sethusamudram Corporation Limited (SCL), a special purpose vehicle. The SPV was set up to take up comprehensive dredging to facilitate a navigable channel through the Palk Straits between India and Sri Lanka. The project was envisaged to create a navigable route between the East Coast and West Coast of India to prevent ships bound for East Coast taking a circuitous route to Lankan islands to harbour at Chennai, Tuticorin, Visakhapatnam, Paradip and other ports.

## Completing 40 years of WISTA International


At the 34th WISTA International AGM & Conference in Limassol, Cyprus with the theme "Shipping Connects," President Sanjam Sahi Gupta was elected to the board of WISTA International. She is the first Indian lady and the youngest to be on the board.

The conference was supported by Ministry of Communications and Works which undertakes the creation and implementation of government policy in the sectors of transport, communications, public works and antiquities. Currently Marios Demetriades is the Minister of Communications and Works.

The conference was attended by over 280 delegeates from over 30 countries. The Indian contingent comprised of three ladies of the WISTA India: Exco-President Sanjam Sahi Gupta, Gen Secretary Sharmila Amin and Founder member /Jt. Secretary Sumi Sahi.

On the first day of three-day conference, WISTA International AGM welcomed new National members such as Sri Lanka, New Zealand, Cayman Islands and Malta. On the second day, there were some interesting sessions: "The Future of Ship Finance", "Global Update on Chartering" and "S&P Markets Innovation in networks in maritime industry - Finding ways for successful collaboration". Third day saw sessions on "Excelling in Shipping Services, "The name of the game" and "Offshore energy and shipping", followed by sightseeing tour for the delegates.

## DB Schenker in India appoints Marcel Opitz as director of sales

Schenker India Pvt Ltd, part of DB Schenker, the transport and logistics division of Deutsche Bahn, has appointed Marcel Opitz as Director Sales. He will be responsible for further strengthening DB Schenker's sales, and drive ahead the sales and key account strategy in India.

Opitz has held various positions in DB Schenker since the year 2000. Before taking up his current role in India, he held the position of Director, Vertical Market Semicon/Solar, for two years. He can look back at more than 16 years of experience in the global logistics market and seven years in the logistics industry in Asia. Commenting on the appointment, Reiner Allgeier, Managing Director of Schenker India said, "Marcel brings with him years of global experience particularly in emerging markets, which definitely makes him a key asset for DB Schenker in India.

## Shipping industry desires extension of SFIS benefits

Ahead of the new foreign trade policy 2014-19, the shipping sector wants the Directorate General of Foreign Trade (DGFT) to extend the benefits of the Served from India Scheme (SFIS) more liberally. The shipping industry has managed to get less than a fifth of the total entitled benefits under the scheme between 2006-07 and 2012-13 because of "problems in the scheme."

The commerce ministry is expected to announce the foreign trade policy 2014-19 this month and is likely to provide greater incentive to service exports. SFIS, which kicked off in 2005, provides duty free import scrip to exporters of services from India. Shipping companies have approached the DGFT to avail of the duty credit benefit on maritime transportation provided between two foreign countries. The companies calculate their entitlement as 10 per cent of the total foreign exchange earnings.

## Capt Vivek Singh Anand elected new President of MANSA for 2014-16

After the Annual General Meeting held on September 19, 2014, the elected Executive Committee Members of the Mumbai and Nhava-Sheva Ship-Agents Association (MANSA), in their first meeting on October 8, have elected the new President and Vice-Presidents for the period 2014-16. K P Unnikrishnan, Immediate Past President, handed over the baton to the new President, Capt Vivek Singh Anand.

Capt Vivek Singh Anand is a Master Mariner having vast professional experience of over 35 years in the marine field, including 14 years on shore. He is presently General Manager, Operations/ Energy/Projects/NYK Bulk & Projects, and heads All India Operations for Liner, Car Carriers, Break Bulk and Passenger Vessels of member company NYK Line (India) Ltd. He has been an Executive Committee Member of MANSA since 2008.

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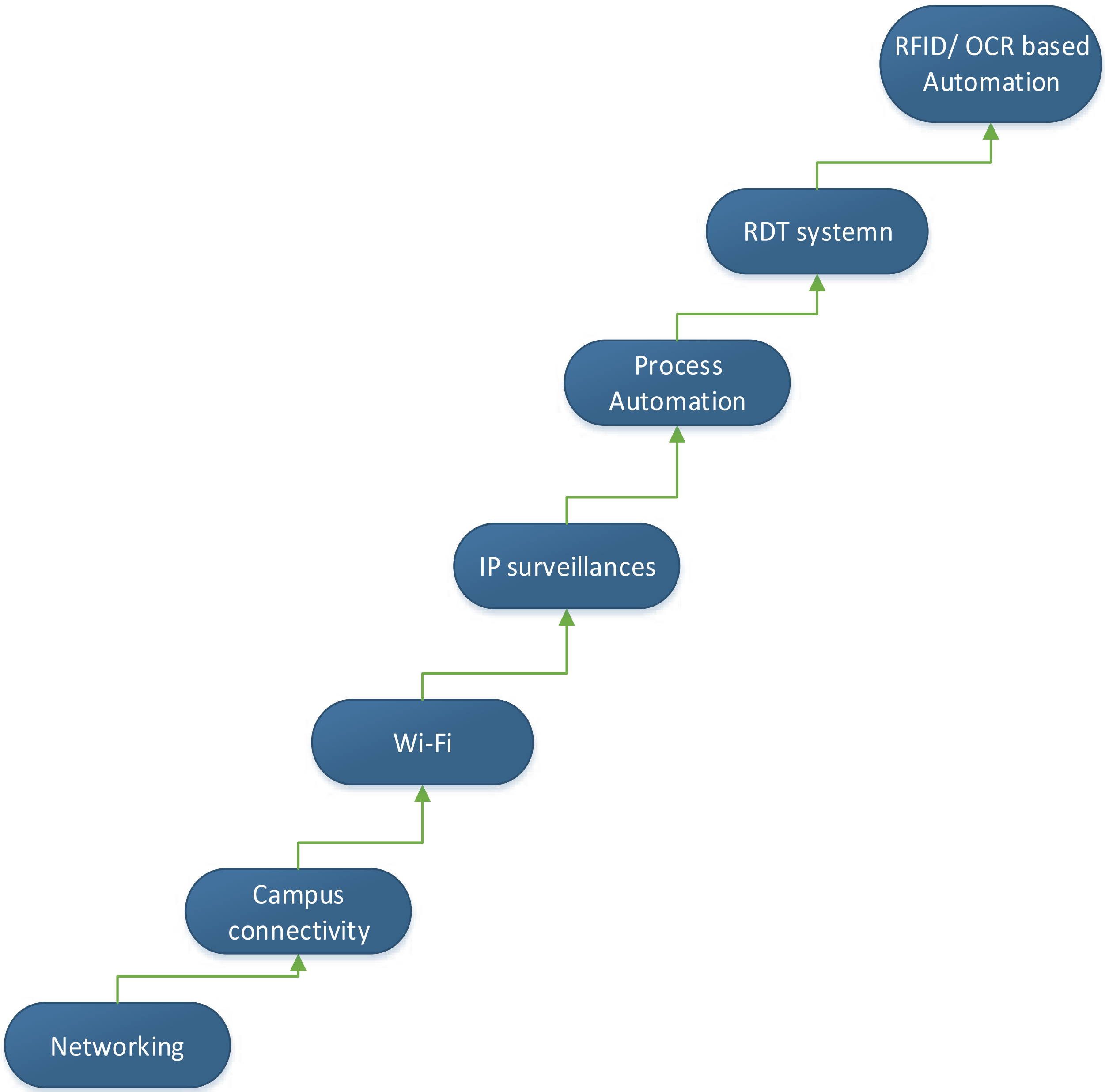



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## Kamaraj Port to develop SEZ

Kamaraj Port Ltd is planning to build a Special Economic Zone (SEZ) or Free Trade Zone (FTZ) on a 650-acre land. The Port has also signed an MoU with Puducherry government to set up a port in the Union territory. M A Bhaskarachar, chairman and managing director, Kamarajar Port Ltd said that the Port has acquired around 650 acres of land from the salt department, close to the Port to develop an SEZ or FTZ. "Soon we will appoint a consultant to conduct the feasibility report. The Port is planning to promote the zone for manufacturing industries."

Soon an SPV will be floated to promote the Port, which will have two or three berths to handle clean cargo, containers and cruise. While the government will bring in land, the Port will invest in developing the Port, said Bhaskarachar.

The Kamaraj Port has also held talks with the Tamil Nadu Tourism Development Corporation to start a cruise service from Ennore, about 45 km from Chennai, to Kanyakumari via tourist destinations of Mahabalipuram, Puducherry and Rameswaram.

## Cochin Shipyard shaping India's first indigenous aircraft carrier

India's first indigenous aircraft carrier is taking shape in the Cochin Shipyard Limited at Kochi, one of the nine Defence PSUs in the country, where 85 per cent of the work relating to its hull is complete. "Around 85 per cent of the hull is complete and 90 per cent of the fabrication is over. 85 per cent of the erection has been over," revealed Commodore K Subramaniam (Retd), CSL Chairman and Managing Director. Many elements of innovations were being incorporated in the building of the aircraft carrier, "for instance, the Navy wanted a 14 degree ski-jump in the foxle of the ship for easy taking off of fighter planes, for which a big piece of iron had to be welded, which was also trimming down the ship to the front."

The degree of indigenous equipment in the aircraft carrier is very high, barring the aviation, for which the country is dependent on Russia. "We can say around 80 per cent of the ship is indigenous," added Subramaniam. "We are also focusing on ship repair, which is a $12-billion or ₹60,000-crore industry across the globe. But in India it is a less than ₹1,000 crore. We are investing in 40 acre land of the port in Kochi with an investment of ₹480 crore," he said.

## GSF calls to bring in place carbon reporting system

The Global Shippers' Forum (GSF) is calling for shippers' carbon reporting requirements to be fully considered as the maritime sector develops technical and operational measures to reduce emissions.

Shippers are under increasing pressure to be able to report Scope 3 (indirect carbon emissions) to customers and require this data from ship operators. "A pragmatic and practical data collection system based where possible on actual fuel consumption and distance travelled will help identify where emissions need to be cut whilst assisting shippers in making carbon efficient supply chain decisions," said Chris Welsh, Secretary General of GSF. As the European Commission also works on proposals for a monitoring, reporting and verification (MRV) system from 2018 for all large ships that use EU ports, GSF welcomes the IMO's decision to also establish a global system. Ultimately a global reporting system for ships is required as shipping remains a global industry.

Welsh added, "Shippers are required to measure, evaluate and report the carbon impact of global goods transportation for their customers. A standardised global system developed will help meet these requirements. As IMO continues this work, it is vital that shippers' views are factored into proposals and existing methodologies and tools that are already supported by industry are considered."

## Hiranandani Group to build LNG terminal at Jaigarh

Real estate firm Hiranandani Group plans to build an 8 million tonne per year LNG import facility at Jaigarh in Maharasthra by July 2018 to meet the growing energy demand. H-Energy Gateway Pvt Ltd, a Hiranandani Group firm, has applied to sector regulator PNGRB to connect the import facility with major trunk pipelines that take gas to consumers.

The Petroleum and Natural Gas Regulatory Board, in a public notice, invited comments on the company's proposal to connect the Jaigarh LNG terminal with Dahej-Uran-Dabhol-Panvel (DUDPL) pipeline and Dabhol-Bangalore (DBPL) line. Jaigarh is in Ratnagiri district of Maharasthra which also houses the LNG terminal of GAIL India Ltd.

## Ashok Janakiram re-elected Chairman of FEDSAI

At the 22nd Annual General Meeting (AGM) of the Federation of Ship Agents Association of India (FEDSAI) held in Mumbai, Ashok Janakiram, President of Association of Shipping Interests in Calcutta (ASIC), was unanimously re-elected as Chairman of the Federation for the term 2014-16.

Capt Ram Ramachandran of North India Steamer Agents Association (NISAA) was elected as the new Vice-Chairman. The other Directors are C R Nambiar (MANSA), Bharat Asher (CSAA), Arul Joseph (CHENSAA), Praveen Bangera (NMSAA), B K Bala (KSAA), P V Jagannath (VSAA) and T V Sujan (KPSAA).

FEDSAI is the pan-India nodal body of various regional associations of ship agents/shipowners present at all major shipping hubs in the country from east to west and north to south, working closely with local trade, including statutory authorities and nodal ministries. In a statement, Ashok Janakiram expressed his affirmation to take up the agenda of Maritime Vision 2020 and said that FEDSAI's member organisations should be included as development partners for framing policies or in any advisory role for the nation's overall maritime growth, given its vast coastline and consistent GDP.

## Cochin Shipyard receives approval for drydock

Cochin Shipyard (CSL) has received 'in principle' approval of the Shipping Ministry for the construction of a large drydock which is estimated to cost ₹1,200 crore. The company intends to raise capital to meet its expansion plans through a judicious mix of debt and equity options. The yard has identified considerable potential in the ship repair business and has taken land on lease in the Cochin Port Trust premises for setting up of an international ship repair facility with ship lift system. The capital cost for the facility is ₹487 crore and is expected to take about five years for setting it up.

## Essar Group to delist port and shipping business

The Essar Group plans to delist two of its units - Essar Shipping Ltd and Essar Ports Ltd - from the bourses and has cited lack of investor appetite and the promoter group's need for increased flexibility as the rationale for this. Both companies will seek the consent of the shareholders for the delisting proposal through a postal ballot and e-voting.

In a filing to BSE, Essar Ports said it has received an approval from promoter group companies. They believe that the delisting of the share from the stock exchanges would provide the promoter group increased flexibility to support the business and financial needs of the company and enable them to optimally fund the growth initiatives of the company.

In a separate filing, Essar Shipping said the board of directors has granted approval for a proposal to voluntarily delist the equity shares. The promoter believes that the delisting offer is in the interest of the public shareholders as it will provide them an exit opportunity from the company at a price determined by the prescribed regulations.

## Bangladeshi vessels unfit for coastal shipping

No Bangladeshi vessel has been found fit for coastal shipping with India. This may lead to a delayed trial - run of the service in November. The Department of Shipping (DoS) had planned launch of trial-run of the service by October but now thinks that it may be delayed until November due to the lack of fit vessels.

Despite relaxation by the Indian Register of Shipping (IRS) of many conditions for Bangladeshi vessels, none of the 18 private sector vessels on a list, forwarded by the Bangladesh Coastal Ship Owners Association (COAB) to the Indian authority, could comply with the same. Failing to get any fit vessel from the private sector, the DoS has now requested the Chittagong Port Authority (CPA) to send documents of container vessels of the Chittagong-Pangaon route for assessment of their fitness for trial-run under the Bangladesh-India coastal shipping service. To ply in the coast, the vessels have to conform to the River Seal Vessel Type IV (RSV-IV) in accordance with the circular of the Indian Directorate General of Shipping.

## Far shipping starts service from KPCT to Bangladesh

Far shipping, a common feeder operator, has announced its scheduled weekly fixed day service connecting Krishnapatnam Port Container Terminal Pvt Ltd (KPCT) to Port Chittagong in Bangladesh. The rotation would be KPCT-Colombo-Chittagong-KPCT. Yarns, raw cotton bales, chemicals, cement, agri cargos are expected to be carried on this service.

## Shreyas Relay Systems delivers Hyundai cars from Chennai to Ahmedabad through coastal shipping

Shreyas Relay Systems (SRSL), a Transworld Group company and pioneer in coastal shipping in India, has successfully completed delivery of cars from Hyundai's Chennai plant to its dealer in Ahmedabad through multimodal transport, i.e. road-sea-road. SRSL used a semi-mechanised rack placed inside a 40-foot container to ensure safe and damage-free movement from Chennai to Ahmedabad.

This was a first-of-its-kind assignment from Chennai using the coastal shipping mode to move cars to Ahmedabad. Car-loaded containers were discharged at Mundra Port in Gujarat from Shreyas' coastal vessel, after which they were successfully handed over to the Hyundai dealer in Ahmedabad.

## Maldives keen to connect with Cochin Port

Maldives imports about $1.5 billion worth merchandise annually. Male Port handles roughly 70,000 TEUs annually and Kochi is the nearest port, with only 30 hours sailing time. The regular shipping service connecting Cochin Port with Maldives will soon be available as Cochin is the nearest major port for Maldives.

A team of officials from Maldives Port held discussions with the chairman and senior officers of the Cochin Port Trust (CPT) and International Container Transshipment Terminal (ICTT), Vallarpadam, recently. A lot of Indian products are being routed to Maldives through Colombo, Dubai and Singapore ports. This is time-consuming and involves higher transportation cost. Hence, there is a scope to operate a weekly service of a 600 TEUs vessel from Cochin Port to Male.

Regular shipping would mean just-in-time inventory for Maldives, and reduce the cost of imports as sometimes they are forced to airlift items in emergency. Maldives imports a large number of essential items, including medicines, provisions, fruits and vegetables from India.

According to Maldives officials, their country was interested in importing more containers from south India as it is cost effective for them.

## MFL plans modern logistics parks

Madras Fertilizers Ltd (MFL) is scouting for a joint venture partner to develop a portion of its vacant land into a 'modern logistics park'. MFL has already appointed a consultant to study the feasibility of developing a modern logistics park at a cost of over ₹280 crore. The company has about 130 acre of vacant land within its premises and four acres at Manali New Town.

The company is located between Chennai Port and Kamarajar Port/L&T Kattupalli Port with road and rail connectivity. The Park will come up within the main premises. About 51 acre have been earmarked for the propose park that is expected to house a container freight station, inland container depot, scientific warehouses with cold storage, and auto carriage with all infrastructural facilities.

## Intercargo appoints David Tongue as Secretary-General

Intercargo has appointed Mr David Tongue as its new Secretary-General. Mr Tongue brings with him a wealth of maritime experience, having most recently held the position of Director of Regulatory Affairs at the International Chamber of Shipping—which he served for the past 12 years.

## MPT chairman flags off Goa-JN Port coastal container feeder service

Cyril C George, Chairman of Mormugao Port Trust, flagged off the maiden sailing of MV Chowgule 7 from Mormugao Port to JN Port. The first vessel of the new Goa-JN Port coastal container feeder service loaded international containers for CMA CGM, destined for various ports in Africa.

The brand new vessel has capacity of 106 TEUs and can accommodate 20 refrigerated containers. This is the first time a shuttle feeder service has been made available exclusively for the Goa trade.

## Mormugao Port Trust records 22 per cent growth in first-half

Shedding its image from a mono- to a multi-commodity port has helped Mormugao Port Trust register a 22.29 per cent growth in the first-half of the current fiscal.

This is the highest growth rate achieved by any major port in the country in the first-half, with growth recorded by Port Kamarajar (Ennore Port) at 16 per cent and V.O. Chidambarnar Port at 10 per cent during the period, Cyril C. George, Chairman-in charge of Mormugao Port Trust, said.

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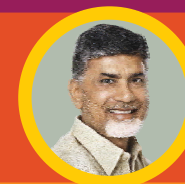
## Sri Narendra Modi's Outreach without Borders

Prime Minister's determination to build closer ties with neighboring countries of Nepal, Bangladesh and Myanmar will boost bilateral trade with India

"There is a huge potential for trade and allied activities by developing ports. State's development is linked with ports and hence we will focus more on this sector"

**– Sri N Chandrababu Naidu,** Chief Minister, Andhra Pradesh



"Prime Minister Modi has emphasised rapid growth of the manufacturing sector in the eastern part of the country to match with the western part, which has made remarkable progress and development in industries and manufacturing sectors"

**– Smt Nirmala Sitharaman,** Union Minister for Commerce and Industry, Government of India

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After conquering space with the Mars Orbiter Mission, India attempts to conquer the seas with the proposed Sagar Mala project. After a ten year downtime, the project has been revived and driven with much gusto by the Ministry of Shipping. If the current momentum of work is anything to go by, in ten years India would have created its piece de resistance silencing naysayers and altering forever the way India does business with the world.

Deepika Amirapu

## PORT-LED DEVELOPMENT WITH SAGAR MALA

# REBIRTH OF THE DREAM

Few projects in India have been pursued doggedly and allowed a re-birth and luckily for the shipping sector, the Sagar Mala is among those the BJP government seems keen to not just officiate, but also see it to the finish line. The version 2.0 of this venture endeavours to further India's maritime and associated competencies by centralizing its efforts having in view three objectives- Accelerate the country's economic strength by strengthening and let them steer activities along the coasts, espouse the creation of coastal economic clusters and connect them with good roads.

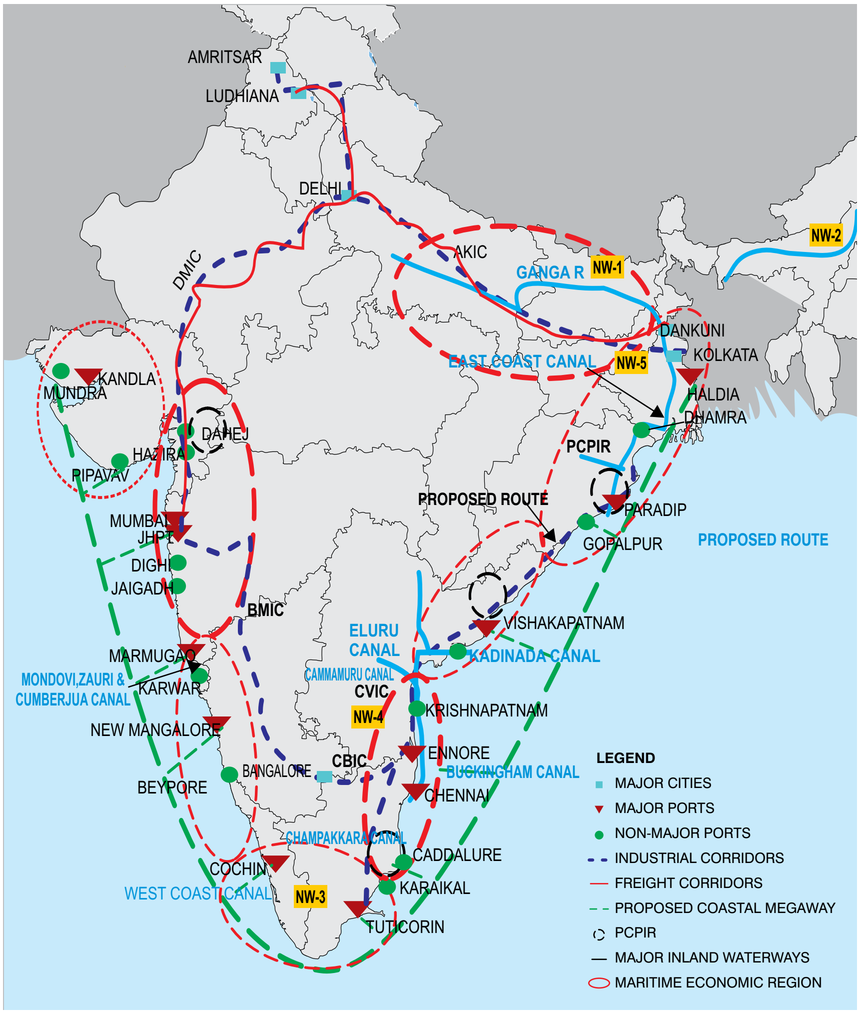
The Sagar Mala project was first conceived by the Vajpayee government 11 years ago with the objective of achieving rapid capacity expansion and modernization of ports along India's coasts linking them along the Arabian Sea, Indian Ocean and Bay of Bengal. The project envisaged developing India's ports to enable them to compete with some of the best global ports such as Antwerp in Belgium, Rotterdam in Netherlands and Hamburg in Germany. India would metamorphose infrastructure, efficiency and parameters of service to align them in consonance with their global peers. Simultaneously, the tonnage capacity would be augmented emphasizing equally on boosting tonnage capacity, establishing better ship building and ship repair facilities and finally using the inland water ways system in the best possible ways.

A port-led development model will gradually replace the existing system of developing infrastructure where ports are developed in isolation. In its concept note the project emphasized that the centre along with the state governments would create basic facilities at these ports and offer them to the private sector for further development and operation. That is, the major ports would gradually wean away from operating in the port and graduate to a landlord port model. Connectivity to the ports will be facilitated through the golden quadrilateral, the highways that connect the length and breadth of India and high speed expressways. A plan of sorts was also in the making to improve the reach of railways by laying additional lines and tailing more wagons to each engine.

The government had realised then that the in addition to allowing faster movement of goods along roads and on rails, the existing harbours would have to be deepened sufficiently so bigger vessels can call at Indian ports. The current draft at the ports inhibits hosting of large vessels; one of the primary reasons stated for India not being able to function as a transshipment hub. Draft concerns would be addressed and to handle the increased volume of cargo, equipment would be modernized.

One of the most important components of this project was the method of financing it. The government augured this project would lend its benefits to the economy over a period of time and agreed on raising money through a nominal Maritime Development Cess for ten years. The cess would be charged on all export-import (Exim) cargo passing through Indian ports. The collection and devolution of this cess would be monitored by the Ministry of Finance after being credited to the Consolidated Fund of India. The funds would be used to develop the said projects under the Sagar Mala initiative. While the project received tremendous response from all quarters, no action could be initiated as it was pending approval when the Lok Sabha was dissolved for polls in 2004.

The project was shelved during the last ten years when the UPA governed at the centre and familiar noises were heard along the corridors of the




## Government agencies involved

### Central

Ministry of shipping
Central board of exicse and customs
Export promotion councils
Indian coast guard / Navy
Bureau of immigration
Ministry of environment, forests and climate change
Ministry of rural development
Ministry of railways/NHAI/IWAI

### State

Maritime board of different states / transport / ports dept.
Industrial development agencies / corporations
Department of fisheries
Local development authority
Urban / Rural local bodies
Department of tourism
State PWD
State excise/VAT

### Challenges

Coordination between central and state agencies

Demarcation of roles and responsibilities

Delineate reporting structures

Ministry of Shipping only after the BJP resumed power. The project was endorsed by both the Prime Minister and the President when the latter said, "The government will evolve a model of port-led development. Stringing together the Sagar Mala project, we will connect the ports with the hinterland through road and rail…," he said.

Soon after, the President's assurance, the Prime Minister too pledged he would ''interconnect major coastal cities announcing the project would be executed through a special development package to enhance the distinct identities of coastal cities in consonance with seaside life". What is heartening to know is that the Planning Commission was also roped to lend their expertise on the execution of such a large project. While the Ministry of Shipping will be the nodal point for this project, the think tank will assist it in coordinating and integrating the other components of the project, viz., port facilities, coastal ferry services, tourism infrastructure and inland water transportation.

The government got the ball rolling by convening a meeting of all the chairmen of the ports, the Inland Waterways Authority and departments of civil aviation, highways and environment to think through the project with all the potential interested parties. A group of 45 officials from different departments the foremost issue was aligning the growth of the Indian maritime sector by allowing the maritime economic regions, or MER to flourish.

An MER is a large coastal/riverine region that is developed on an integrated basis comprising two broad components.

The first would be a Regional Ports System comprising of a cluster of major and non major ports and its development would include promoting port based SEZs, coastal industrial clusters and other export oriented industries with connectivity. The regional port system advocates the development of world class hub ports supported by coastal/ inland feeder shipping to sub-ports. The next-gen ports would be delivered through a mix of long term and short term measures.

The other component of the MER is a natural extension to the regional ports system- Hinterland Linkages. The dedicated freight corridor, highways and the rail networks will help integrate the integrate corridors and inland cities to the port area.

The key principle for demarcating MER is to provide a large coastal/riverine region where traffic and passenger flows are due to integrated trade and commerce system.

An MER Development Agency under the Sagar Mala Authority would be constituted to implement the plans for the regions in coordination with various developmental agencies and the state governments. The institutional arrangements for implementation of Sagar Mala would comprise of the Sagar Mala Authority lead by the Ministry of Shipping. At the regional level, the MER would have a Governing Body and will be tasked with the responsibility of implementing the MER development plans. At the port level, the chairpersons would be the administrators under whose leadership various agencies would function.

"From the look of it, I'm convinced the centre has given this project serious thought. The government has proposed a three tier structure to monitor the developments to ensure projects are monitored and not stuck due to approvals not coming through," a representative of a private port who was present at the meeting told MG.

It may be hard to find loop holes in the suggested modality of the Sagar Mala project, but those familiar with the ways of government functioning signal it would take much more than departmental coordination for the project to be incarnate. The circuitous reporting structure requiring many hands and heads working together could pose as a big challenge. But to help identify areas that need close monitoring and renowned audit, tax and consulting firm KPMG was called in to offer a word to the wise. The firm identified the crucial threats to the project taking off. The presentation KPMG made before the gathering highlighted the need for different agencies developing infrastructure to integrate regionally to promote industrialization, trade tourism and transport. That there be a single institution structure leading and overseeing any addition major and minor ports.

The audit firm endorsed the need for MERs to be making progress but

It may be hard to find loop holes in the suggested modality of the Sagar Mala project, but those familiar with the ways of government functioning signal it would take much more than departmental coordination for the project to be incarnate. The circuitous reporting structure requiring many hands and heads working together could pose as a big challenge.

cautioned that the institutional structure involving its powers and functions would be imperative to this project's accomplishment. The firm outlined broad tasks and roles for the MER Development Agency (MDA). It tasked the MDA with preparing a development plan for the coastal or riverine ear-marked area, assess the natural strengths and economic potential of the region in areas such as fisheries, agriculture, tourism, industrial clusters and lastly, to identify key programmes and projects related to developing rural/coastal communities, user-led infrastructure and create forward and backward linkages.

The six roles identified for MDA involve bringing together the plans and requirements of different agencies under one programme, identify and bridge gaps in the agenda of different agencies, plan coordinate and allocate funds for execution besides nominating representatives of various agencies for governance and ensure staffing needs are met.

After naming the ministries to be involved in the execution of decisions, the team of advisors from KPMG went far in to demystifying the roles of key officials involved in the day to day operations. The assembly of experts who came together to discuss the project were also asked to make certain adjustments in the administrative system for the unit to work cohesively. These changes ask the Port Chairman to be re-designated as Port Administrator. He will be responsible for overall growth, operational efficiency and customer satisfaction at the port. The officials of different agencies deputed to the Port Authority for various tasks will report to the Port Chairman. The Port Administrator would report to the Chairman of the MER Governing Body under who presides over the implementing agencies. And finally, the buck stops with the Apex Agency, the Sagar Mala Authority to whom the MoS Officials, MER Chairpersons and Secretaries of the Union government are accountable to for this project.

To achieve this magnum opus, it would take ten years and many billions of rupees. To make a start, this definitive framework has been boxed in the timeline. The Sagar Mala Authority will be formed by end of this year. The next task at hand would be developing perspective pans for two Maritime Economic Regions and a plan for developing hub ports by February 2015. Soon to follow will be a detailed plan for preparing the coastal mega water way.

Umesh Grover, chief executive officer of the Indian National Shipowners' Association says, "The economy will be the biggest beneficiary of the project by saving many millions dollars of freight as the value of fuel consumed by sea transport is 30 per cent lower than consumed by road. This gap will widen further if one takes into account the diesel subsidy given to the road sector."

Having made a conscientious effort in laying the roadmap for the project, the Ministry should adamantly pursue this project and heighten the status of the industry and the country as one the foremost maritime nations in the world. mg

# "PORTS NEED TO CONNECT WITH PEOPLE RATIONALLY, EMOTIONALLY"

Eddy Bruyninckx, in his first interview speaks to **Maritime Gateway** on how he dealt with challenges in the last few years and the areas he sees greater growth potential. What is not to be missed is when he talks of how the city, its people and the port will have to grow together as one unit to benefit from one another. Edited excerpts.

**Q How has been business at Port of Antwerp?**

A We are maintaining the growth trend. Yet another time, container freight contributed good growth figures, while liquid bulk too continued to chart the upward trend. In the first six months we recorded a growth of 2.7 per cent compared to the same period in 2013. The container volume was up by 4 per cent and the RO-RO volume rose by 1.3 per cent.

The number of large vessels calling at the port of Antwerp has increased. By the end of this year we will approximately have 200 large vessels of 30,000 plus teu calling us. As we are located in the inland on river Scheldt, It is quite a challenge for us to make this port attractive and accessible to the big vessels. However, we reckon that deepening the river in phases in the last two decades was a game changer. MSC was the first container liner to realise the opportunity and reached out to this port. Last year, in October, the largest container ship *Mary Maersk* sailed into our port. Now shipping lines believe that Port of Antwerp can receive largest vessels. We are hoping that the alliances among container lines will boost volumes at our port.

**Q Container Lines come together to form alliances on one day and drift apart the next day. As the second largest port in Europe, what kind of pressures you face with these constant changes?**

A We continuously watch and observe moves of individual shipping lines and when it comes to alliances we look for solutions. Around 2009, there was a sharp decline in cargo flows as there were fears of port congestion. That made shipping lines to come together and form joint ventures with terminal operators. With new alliances in place, things suddenly became more complicated. When the lines call a port like Rotterdam, the dilemma they face is to choose the between terminals. Even if the line decides to call one terminal, still there are boxes to be delivered at other terminals.

In case of our port, thanks to the complicated morphology, we have an organic system grown over the years. Our intra-port container distribution system, through barges connecting all terminal locations, helps operations there by allowing us to cope with the changing patterns of alliances. We talk to the shipping lines and try to understand their concerns about hinterland when they want to scale up their operations.

Another important factor is making the port attractive by creating good nautical access. With today's technology one can reduce the key clearance and produce the same result as dredging. During the last decade shipping lines did not believe that we could dredge and moved to other ports in Europe. But we brought back all the cargo to Port of Antwerp.

**Q In the last couple of years, the port has laid emphasis on connecting hinterland with foreland? How was it done and what results you have seen?**

A For many years our emphasis was on overcoming the disadvantages of maritime access and improving the same. After achieving it, we shifted our focus to development of hinterland. We met more than twenty shipping lines to understand from where their cargo originates. Then we worked with barge and rail operators to create connectivity. We even went up to Luxemburg, Netherlands, France and other places and bought shares in cargo creating areas to create a link between hinterland and port. This we will continue to do.

**Q More recently, vessels were diverted from Rotterdam to Antwerp as congestion hit the port during the peak shipping season. What plans are made at your port so that you don't run in to similar situation?**

A There was a time when rail operators were offered subsidies by the government to make the modal shift happen and to link Belgium with the ports. Subsequently, the government stopped offering subsidies. This is the time we stepped in to make the operations financially attractive to them by optimising and creating linkages between barges and rail operations through our intra-port networks. During the last 2-3 months we have seen the G6 alliance making 6-7

**Eddy Bruyninckx**
CEO, Port of Antwerp

loops of port rotations and we understand three more are on the way. Our schedule reliability is the best. Thanks to the higher productivity of our terminal operators and dockers – in spite of the handicap of the tidal window, an 18,000-teu vessel can turn around fast. At Port of Antwerp the effort is not only gain time but also to compensate the loss of time at other ports. This is the strong characteristic of our port.

**Q What prospects you see in India?**

**A** We have a subsidiary Antwerp / Flanders Port Training Center (APEC) which plays a central role in the transfer of port knowledge from Flanders to the world. With an idea to go beyond training we have set up consultancy to share our expertise and knowledge globally with other ports. India was our first choice to focus and our association with Essar Ports is a coincidence. We definitely look at doing things with other ports in India. Rather than participating in projects we prefer to share knowledge on running of the ports.

**Q Ports are not seen as environment-friendly and community-friendly entities – sometimes leading to a situation of stalling the expansion plans. How do you deal with this aspect?**

**A** We have learnt how to deal with this by trial and error since we have a very complicated European policy and directives for the environmental safety. In one case, construction of docks was stalled for more than a year, but finally when we built the nature development activity inside the area and demonstrated how the negative effects are being compensated it eventually became the best practice.

There are two different approaches to change the perception of people about ports. One is rational way and the other is emotional way. Rational approach is convincing people about the importance of ports, its contribution to welfare, economy, creation of jobs etc. Today directly or indirectly 1,60,000 people live on Port of Antwerp. Every year we make national banks to conduct survey on the importance of ports by measuring the job creation.

The emotional approach to the problem is to make the city's population, communities feel proud of the port. The Port of Antwerp existed for centuries. It lives in the memories of people. When Port grows outside the city, people lose touch. So we try to maintain the link through various activities that connects them with port.

**Q Amidst all the growth, was there any disappointment over not being able to get things done or over missed opportunity?**

**A** Some of the projects took longer time than expected. The delay in construction of the locks on the left bank is one such example. We should have done that about 3-4 years ago. There was too much emphasis on containers then. I hope in future the Port of Antwerp becomes a complete port dealing with all kinds of cargo. We have to maintain our leadership position in General cargo, Break bulk and Liquid Cargo as well. Not handling coal was a missed opportunity. The proposal to handle coal was rejected by board. If the concerns are about capture and storage of coal, we could have contained it with best available technology. Now when I look around and see that coal centers were closed down and ports no longer handle coal – that is a classic example of missed opportunity. mg

# NEW INFRASTRUCTURE AT ANTWERP PORT

## THE NEW PORT HOUSE

The new Port House is a two-part design, consisting of a dynamic beam-shaped structure raised above the former fire station, a listed building which is being restored and given a dramatic new role. The two components make the Port House a volumetric composition that offers breathtaking views across the city and its port. The superstructure façade is made up of glass triangles, each slightly rotated with respect to each other, producing a constantly changing play of reflected light. The unusual design also poses a challenge for the contractors who will do the actual building work. For example, the subcontractor responsible for the 1,500-tonne steel structure, Victor Buyck Steel Construction, has opted to build it in a modual way in six large parts. These will be constructed in workshops in Wondelgem and carried to Antwerp by barge.

Altogether the new Port House will cost 49.9 million euros. This investment forms part of the wide-ranging investment programme of 1.6 billion euros approved by the Port Authority board of directors in 2010. The new Port House has been designed by the British firm of Zaha Hadid Architects. Zaha Hadid is recognised all over the world as a highly influential architect.

## DEURGANCK DOCK LOCK

Work on the actual construction of the lock for the Deurganck dock on the left bank began in 2012. Construction of this lock is one of the key projects of the Flemish government and is an objective of the Pact 2020. As a result of recent expansion on the left bank, a second lock had become essential for ease of access by seagoing ships. The Kallo lock, currently the only one in this part of the port, has already reached its maximum capacity. The Deurganck dock lock is an appropriate response to the increase in scale of modern ships. It will also provide easy access to the port facilities on the left bank, and will moreover assure the necessary security of operation (because there will always be at least one lock available).

The significance of the new lock goes beyond the port of Antwerp, as it will be an important link in the new European core transport network, the backbone of the TEN-T network. The maritime sector in turn is important for the development of the Trans-European Transport Network in promoting sustainable transport, job creation, economic growth and cohesion within the European Union. Indeed the European Commission has emphasised the role of the European seaports as gateways to the European markets as part of the new "Transport 2050" strategy for Europe, supported by the "Connecting Europe" facility.

Thanks to the new lock, the port of Antwerp will once more have a suitable response to the increased dimensions of modern ships, thus maintaining and further strengthening its position within Europe. The Deurganck dock lock is specifically dimensioned to take the very largest ships. The Social Costs/Benefits Analysis carried out for this major infrastructure project examined not only the economic returns but also the social returns. The choice of a deep design was found to offer by far the greatest social and financial benefit, and so the lock will be the largest in the world with a length of 500 m, a width of 68 m and a depth of -17.80 m with respect to the local datum level.

Once it is completed the ship handling capacity of the port area on the left bank will be considerably increased. The volume of freight handled in the area behind the locks in this part of the port is expected to rise from around 16 million tonnes in 2011 to more than 25 million tonnes in 2020, an increase of 56 per cent. As such the new lock forms part of the strategic plans for the growth of the port of Antwerp. So far the work is going ahead on schedule, and the Deurganck dock lock is due to become operational in 2016. mg

# GST and changes

**The GST is verily India's Godot. It's been in the making for years now and many have seen it coming; almost tabled and implemented. Of the many benefits it has promised to all sectors, the author elaborates on the changes to road transportation post GST.**

Vijay Kurup

'GST is coming,' has been an oft repeated refrain in all most all the logistic seminars for the past five years. With the new government at the helm, the implementation of GST has perhaps become a reality. The GST implementation will herald many changes. In a recent seminar organised by CII Institute of Logistics, Howard James Scott, former consultant to the Government on GST, said that the GST will introduce "many changes some good and some perhaps not so good." He spoke on the backdrop of his experience in Europe – a plausible perspective of the changes that could be seen being introduced in India too.

A study on the operational efficiency of freight transportation by road in India, conducted by TCI and IIM-Calcutta in 2012, showed that the average speed of trucks in India was about 20-25 km per hour. Post GST the distance travelled and the average speed is bound to go up. The type of vehicles plying on the roads, Howard predicts, would significantly differ. The commercial vehicles would be much larger in size and more powerful, capable of carrying much higher payloads than what are currently seen today.

The companies would invest in large tractor-trailers and higher powered commercial vehicles to carry heavier and more voluminous loads. It would make more sense to carry 40-tonne cargo in a single vehicle than carry the same load in two trucks. The small transporters are likely to be pushed out of business, Howard opined. "Only the big boys will survive," he said. The big trucking companies – Volvo, Mercedes Benz, Scania – have already taken up positions in India to leverage the post GST opportunities that are bound to come up.

Currently, the law prohibits the transporters to sell goods in transit. Post GST, says Howard, a truck carrying goods from Mumbai to Delhi could sell products enroute. Only those trucks with All India Permits would be allowed to traverse across states. However All India Permit would be issued only for those trucks that are less than 10 years age. Many trucking companies have trucks approaching this time limit.

As a corollary to above GST would bring in groupage operations in road transportation. In groupage a vehicle coming from Mumbai can carry multiple products, for multiple consignees and destinations. At present this practice is prohibited in India. Once groupage is allowed, a most likely outcome of GST, a truck carrying goods from Mumbai can sell products enroute – at Indore, Delhi, or Ahmedabad or at any other place and do likewise on the return journey.

GST is also likely to see the introduction of tractor trailers as a single unit which would require an amendment in the Motor Vehicles Act. At present the law prohibits multiple trailers in India, but is permitted in other parts of the world, said Howard. All these changes, according to Howard would see the rise of owner-drivers handling trucks. Once an owner-driver has built the capacity to work for multiple clients, handle multiple collections, deliveries and products and trailers, he would be financially well off. An owner-driver in Europe earns as much as ₹2 crore per annum, said Howard.

Today many logistics and manufacturing companies have multiple warehouses or distribution centers spread all over the country, often numbering over twenty. The advantage here was that if 3 or 4 warehouses were not profitable, it would not matter because the income from the other profitable warehouses in other locations would sustain the company. However post GST this comfortable state of affairs is likely to change. The size of the warehouses would be much larger, but would coalesce to 4 to 7 key hubs with far less number of warehouses. In such a scenario, if one or two mega warehouses are not profitable in a location, it would weigh down the profitability of the company as a whole, said Howard.

Fewer warehouses has other advantages. Today with multiple warehouses in each state the cargo is held at the point of transfer, anywhere between 24 and 48 hours. So if you have got 27 distribution centers, says Howard, that is 27 times 48 hours worth of stock standing idle on the trucks. "Nobody can afford that anymore in future," said Howard. Far reaching changes are in the offing, some predictable and some unforeseen; some good and some perhaps not so good. But one thing is certain the change will benefit all. mg

# "NEW TERMINAL CAPACITIES LEAD TO NEW QUESTIONS; BUT WE ARE CONFIDENT ABOUT FUTURE"

**Christophe de la Ferrière** is Group Manager, CMA CGM, for all lines between the Indian Sub-continent and Europe and Mediterranean areas. He has a strong expertise and has worked on the Indian market since CMA CGM started developing its services with the country, more than twenty years ago. In this interview to Maritime Gateway he talks about terminal capacities in India, future plans and challenges that are faced.

**Q Steering to India, what is your view of the country's terminal capacity that is now preparing for new capacity upgradation?**

**A** Terminal capacity hasn't increased much, but it doesn't imply that things don't change. Regarding new capacity upgradation, different aspects can be analysed.

First of all, we can see a development of pre-existing capacities. There is an effort being made towards developing new container terminal capacity in existing popular port such as Mundra and Tuticorin. At times, efforts may have been unsuccessful-as in the case of the offshore terminal project within Mumbai city limits that did not take into account the absence of city infrastructures to deal with the in-coming containers – or because they simply failed – as in the case of Nhava Sheva fourth terminal it delayed the project by four years.

We then see new terminals being created in minor ports. Those ports were usually created to accommodate bulk ships, in order to supply energy to the country. Then, container terminals were added. This has been the case for Mundra for example. In Hazira, more recently, we can see another example.

Other ports are being erected from scratch, as Kattupalli for instance. And more projects are coming up.

As we see, new capacities are appearing. But they lead to new questions, since they are geographically scattered, which brings difficulties to use all of them regarding the high amount of terminals because of the costs it induces. To be more specific: because they are scattered,

we need to find ways to connect new capacities and use mother ships, which implies high port costs. What's more, the cabotage laws forbid us to transport containers from one port to another, which is another difficulty to link those newly created capacities".

**Q Which ports are you calling in India and how do you see container trade growing in India?**

**A** CMA CGM is calling many Indian ports, either with mother ships or with our own feeders. Among the most famous ones we call Mundra, Pipavav, Nhava Sheva, Cochin, Chennai, Calcutta and Haldia.

We have seen that the growth of Indian exports was stalled after the 2009 crisis, but have witnessed a two-digit growth on both export and import trades that we find very encouraging. We find the new government's approach very positive, and even if effects will not be happening overnight, we are confident on future growth. It seems to be proactive and has put abandoned projects back on the table. This is why we expect the market to grow and an increase of imports and exports.

**Q Could you talk to us a bit about the Indian Ocean transshipment hub you intend to create?**

**A** Our Indian market development foresight today is mainly based on our direct lines. We have eight of them serving India.

We see Port Réunion as a transshipment hub serving not only East Africa and the Indian Ocean, but the full African continent where CMA CGM Group have a leading position. It will develop new opportunities for India in Africa. By knock-on effect, which is transshipment finality, it could also create new services to South America.

**Q What are the specific challenges that need to be addressed in India for container growth as well as seamless smooth movement of containers to leverage on the potential?**

**A** As discussed earlier, we notice that port capacity is being taken care of concerning development. I think that inland capacity is a real challenge for India to develop its potential. Many things could be improved, such as rail and roads/trailers capacity, schedules, inland haulage regarding customer on-time delivery's ability.

First, rail and road transportation lack of efficiency brings containers evacuation issues. Difficulties to evacuate import containers once they arrive at the port create congestion. It is a chain reaction that could be solved with more governmental investment on roads and trains, and with more investment in

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equipment from private companies. This immediate issue could be solved on a short / middle term basis and would help containerisation growth in India.

Road issues are mainly based on infrastructure quality. Regarding trains, the problem is a little bit more complex since passenger and commercial trains use the same tracks, and that passenger

trains and then bulk trains have priority over container trains. There has been a long-term project, initiated about a decade ago, to build dedicated freight corridors. It implies buying land on long distances, and on highly fragmented areas of property. We count on the new government's proactive approach to solve that issue.

Another issue is created by interstate barriers, which create unnecessary costs and delays. Taxes and heavy administrative process force merchants to take other routes and to increase distances to avoid uncertainty on inland haulage. Why can't we drive cargo from Coimbatore vicinity to Cochin, which is the nearest port, with CMA CGM mother vessels that call directly there? Instead, we need to go all the way to Tuticorin to catch a feeder with less visibility on the delivery times.

"Why can't we drive cargo from Coimbatore vicinity to Cochin, which is the nearest port, with CMA CGM mother vessels that call directly there? Instead, we need to go all the way to Tuticorin to catch a feeder with less visibility on the delivery times."

If we had dedicated freight corridors, for example, that would remove stumbling blocks such as passenger trains that currently prevent container trains to move. Or if we could remove interstate barriers that generate unnecessary costs and delays, movement of containers would be smoother and container growth more important. We understand that some things will need time, but we are confident in the future.


**Q You've signed up a MoU with Adani to set up a container terminal at Mundra Port. How is this going to be beneficial for you? Would you have any of your partner liners call at the Mundra Port once the terminal is ready?**

**A** This terminal will be the first terminal for CMA CGM in India! It will participate towards the capacity upgradation we talked about. To put things back in context, we noted a steady increase in exports demand via Mundra Port. We felt this terminal creation would be a perfect step to developing our activity in North India without compromising the quality of service we offer.

To sum up, there are several advantages for CMA CGM. This being our first terminal in India, it makes a lot easier for us operationally to control and develop our business. Secondly, we notice a strong increase in exports and since Mundra is a geographic strategic point on North India industrial belt, exports could increase.

Then, since there is no congestion in Mundra compared to Nhava Sheva, which makes this terminal location even more attractive. And we feel there will be more demand. Mundra terminal will offer more opportunities not only to expand our regional transshipment activities, but also to create new services.

**Q The industry projects that in two years time container trades could achieve a balance. What is your view on the current situation?**

**A** North West India and East, South-East India cannot be served the same way. There is import and export trades imbalance for both areas but there is more growth in the North. We are almost there on a pan-India basis but the recent growth of market seems to be happening mostly in the North West of India.

There is a wide disparity between west of India and East/ South of India. The latter area is not growing on the import side when exports are expanding albeit at a slower pace than North West. What we currently see is a widening North West imbalance – due to an exports excess, while South and East imbalance – due to an imports excess – is significantly reducing.

In the meantime, the export growth from South and East is nowhere near the two digit growth we currently experience in the North West. Both areas are not on the same growth path. My perception for the next two years is that there should and will be a balance in South India and secondly, there will be a growing need for containers in North India.

The issue for lines is that we cannot send empty containers from South India to North India where they are needed. Therefore, we need to reposition our empty containers from foreign countries to the ports where they are needed in North India. If there was a relaxation of the cabotage laws in India, we could replace empty containers from South to North India. It would allow us to create new service to bring them from South to North. We saw that the government was thinking about reviewing cabotage laws, which would be great news for our Group.

**Q India contributes a dismal 5 per cent to global containerisation. What in your view could further augment this share?**

**A** There are many steps that could be taken by India to this end. First of all, there is the inland infrastructure improvement that we've talked about. Then, if we want to develop containerisation in India, the industry must develop, which implies that more foreign investment is needed into Indian industry. Finally, shortages of energy in India increase delays and limit containerisation and exports. There are a lot of things that can be done.

CMA CGM sees export demand growing and a two-digit growth in India as very positive signs, not only for the present times, but also on a longer term basis. The Group has been in India for more than two decades. We have already invested in CFS and we have more projects coming on.

# Rise in coal traffic

**Paradip Port Trust has initiated a clutch of measures to handle the increase in coal demand on account of higher imports by steel and power companies. Further, in close coordination with East Coast Railways, it is enhancing rake loading and evacuation of coal. However, the challenge would be to sustain the momentum in the long run. A Maritime Gateway report.**

The Port handled 68.00 million tonnes of traffic during the year 2013-14, as against the previous year's traffic of 56.55 million tonnes. Bulk of the incremental traffic comprised of imported coking and non-coking coal accounting for 15 million tonnes and 20 million tonnes thermal coal for coastal traffic. According to the senior port sources, the imported coal traffic is poised to grow in the near future to meet the demand of newly expanded capacities of Tata Steel in Jharkhand and Steel Authority of India Limited's plant in Rourkela. The demand of imported coking coal is also expected to go up from other secondary producers in West Bengal.

This will lead to throughput of coastal coal traffic growing on account of projected rising demand from Tamil Nadu Electricity Board, Andhra Pradesh Power Development Corporation Limited and other Southern state based power utilities. It is understood that a number of mega power plants are in different stages of progress in Talcher area and will soon present their case for increased coal consumption. However, the projected increased in coal traffic throughput will depend on availability of rakes and spare running capacities from East Coast Railways, especially on the Paradip-Bhubaneswar stretch and further from Bhubaneswar to Howrah in West Bengal via the heavily saturated Cuttack-Howrah link.

"To handle the projected increased coal throughput, our topmost priority is to create infrastructure for faster cargo loading and evacuation through the railway systems. The infrastructure addition initiatives will be instrumental from increasing our capacity from existing 108.50 million metric tonnes per annum to 270.50 million tonnes per annum by the year ending 2023," say Paradip Port officials. "Request for Qualification (RFQ) tender for mechanisation of three existing berths, EQ 1-2-3 have been floated at an estimated cost of ₹1651.09 crore.

## Cooperation with ECoR

The constraints of the old port have been considered and the new projects are designed to streamline the entire coal supply chain involving the loading-storage and unloading within the railway system of ECoR serving Paradip Port.

Previously, the absence of a uniflow system and continuation of exchange yard concept involving change of traction had impeded the movement of coal rakes within the port railway system. To overcome these, electrification of loading spurs, rationalisation of stacking plots, provision of auto signalling on the track hopper area was taken up by the port in cooperation with the railways.

The results of the initiatives in coordination with ECoR are already visible and Paradip Port is poised to offer outward loading of 25-30 rakes in the coming year as against the last year's average of 15-16 rakes. Ongoing construction of the third line between Barang-Bhubaneswar on the Paradip-Bhubaneswar stretch will ensure better availability and faster movement of rakes.

Enhanced availability of coal rakes for coastal loading to Paradip Port have been made available by ECoR through improved coal loading at Talcher, Asia's biggest rail based coal loading point in Odisha and prima donna among all the loading points of Indian Railways loading above 41 million tonnes in 2012-13. ECoR has attained almost 25 per cent improvement in loading by loading almost 36 rakes per day as compared to 25 rakes few years back.

# INDO-MYANMAR MARITIME TRADE GETS A BOOST

The path-breaking direct container shipping service between India and Myanmar is expected to change the way sea trade has been so far on the East Coast. Operated by Shipping Corporation of India, the direct service to Yangon will open immense trade opportunities for exporters and importers between these countries.

Itishree Samal

At a time when India's 'Look East Policy' is gaining momentum with several government initiatives to strengthen the bilateral trade between India and its neighbouring countries, the Shipping Corporation of India (SCI), a government enterprise, has launched country's maiden shipping service to Port of Yangon, which is about 1,100 nautical miles way, from India to boost maritime alliances between the two countries.

The new direct container shipping service, with a 1,200-teu SCI vessel '*MV Kamal'* connecting the ports of Chennai-Krishnapatnam-Yangon-Colombo, was flagged off on October 3 from the Chennai Port, with a stopover at Krishnapatnam Port. The fortnightly container service will open immense opportunities for exporters and importers, additionally enable the trade to reach these destinations quicker and at a reduced cost. The service will facilitate traders to export clinker, telecom equipment and cars and import of pulses, timber and garments. Experts observe that regular calls such as these can create a carrying capacity of 36,000 teu each way per year.

Initially, the vessel will run fortnightly and if the traffic goes up it will be made into a weekly affair, according to Capt S Narula, Director (Liner and Passenger service), SCI. "We have plans to increase the vessel to 2,500 teu in the second phase and eventually to 4,500 teu as against the 1,200 teu at present."

### India-Myanmar trade prospects

Both the countries – India and Myanmar – share a long geographical land border which spread into more than 1,600 km and a maritime boundary in the Bay of Bengal.

At present, India-Myanmar trade is woefully low at $1.6 billion (FY 2013-14) as against India's total global trade of over $800 billion. Exports to Myanmar are even lower than imports at about $500 million, while India's imports from Myanmar accounted more at $1.143 billion, with more than 90 per cent of the imports involving agricultural products like beans and pulses and forest based products. However, both the countries are now focusing to strengthen further their bilateral trade. The bilateral trade has grown from $12.4 million in 1980-81 to $1.6 billion in 2013-14, and the trade volume is expected to reach the $3 billion mark by 2015. The economic cooperation between the two countries is currently steadily growing in the sectors such as textiles, infrastructure, oil and gas.

Many Indian companies in recent years made significant economic and trade agreements in infrastructure and other areas. As of June 2014, India has invested $300.44 million into 13 Myanmar projects.

## KPCT Advantages

| KPCT advantage: | Export potential: Cement | Import potential: Pulses |
|---|---|---|
| The proposed timber yard is of 5 acres and the location is 1km away from port entry gate. KPCT will also provide fencing and security of this area. | Cement shipments to Colombo and Yangon. AP is the largest cement producing state in India, with 20 per cent of the country's production. KPCT provides economical and efficient port stuffing facilities, liners/ NVOs provide empty containers at KPCT | - Quicker clearance at the terminal and most competitive handling charges<br>- Additional movements for CFS not required |


In the ports sector, India is focusing on Dawei – a deep sea port and a special economic zone in southern Myanmar to identify a much shorter sea trade route to Southeast Asia. Dawei Port is part of the Mekong India Economic Corridor, connecting itself with Ho Chi Minh City in Vietnam, Phnom Penh in Cambodia and Bangkok in Thailand. For the Dawei SEZ, Indian expertise is being sought for in sectors such as steel, manufacturing, power, petrochemicals and services at the Dawei SEZ.

India is also involved in the 1,400-km Trilateral Highway, linking India, Myanmar and Thailand, which is likely to start operations in 2016. The highway – from Moreh in Manipur to Mae Sot in Thailand via Myanmar – will open up India's landlocked northeast to the Southeast Asia and allow freight and container truck movement across the borders from India to Myanmar and Thailand. Myanmar is becoming increasingly important for India in both a strategic and economic context being the only ASEAN country that shares a border with India. To support the bilateral trade further with the ASEAN countries and benefit the trade, the Shipping Corporation of India is also planning to introduce similar direct liner services to Vietnam and later to Thailand in the next three to six months.

“In line with the government's focus on developing bilateral trade between India and Yangon, KPCL has always been at the forefront in serving strategies and methodologies that would bring corporate and trade associations from both the countries to partner and do business for mutual benefits”

**C Sasidhar**
Managing Director
Krishnapatnam Port Company Limited

### KPCT advantage

Growing trade relation with the neighbouring countries on the eastern side is good news for the ports situated on the eastern part of the country on the Bay of Bengal. According to Narula, “All ports on the Bay of Bengal will get a big boost, while Krishnapatnam Port will be a major beneficiary being a private port that can have tariff suited to its customers.”

Krishnapatnam Port, taking the advantage of its strategic location and being the largest private port on the East Coast with wide hinterland connectivity, is expected to be huge beneficiary of this trade initiative. In order to facilitate trade between the two nations and to create awareness among Myanmar's EXIM's significance of Krishnapatnam as a gateway port, the port owned Krishnapatnam Port Container Terminal (KPCT) had organised a trade meet in Yangon on May 16, 2014.

“We aim to bring a paradigm shift in the Indian Shipping industry and look forward for more such initiatives in future,” C Sasidhar, Managing Director, Krishnapatnam Port Company Limited, said. The port has proposed to create a 'daal zone' which will help the importers of pulses in Andhra Pradesh to have huge storage facilities managed by international traders. The port management is also talking to coastal operators to start a Yangon-KPCL-Visakhapatnam coastal service.

Spreading across 6,500 acres, the port is the fastest growing port on the eastern coast and achieved a 30 per cent increase in volumes during 2013-2014, doing more than 35 MTPA. During last fiscal, the port handled a total cargo of 24.37 million tonnes, which includes 21.12 million tonnes of imports. While coal imports stood at 19.75 million tonnes, fertilizer imports amounted to 1.37 million tonnes. The Krishnapatnam Port Container Terminal, which handles bulk cargoes such as cement, rice, maize, seafood, granites, chilies, tobacco and cotton, aims to more than double its volume to 1.2 million teu from the current 58,577 teu. An increase in the number of liners, cargo variants and new destination liners are some of the factors fueling volume growth in container cargo for the port.

The port is promoted by Hyderabad-based $1-billion CVR group, a diversified conglomerate in power, steel, port establishment, IT and spatial technology, handles import and export cargo and containers as well as transshipment operations, with over 11 berths. With a 18.5-meter draft that could service super capsize vessels, the port aims to have 42 berths and a draft of 20 meters to handle 200,000 DWT super capsize vessels. mg

# Chennai - Bangalore Industrial Corridor Passage to Prosperity

These were not his exact words, but in his latest visit to India, Japanese Premier Shinzo Abe promised his Indian counterpart, among other things, that his country would help transform India's infrastructure in a decade. The Bangalore-Chennai Industrial Corridor has been placed among top most priorities to be funded by Japanese institutions and is certain to quicken the pace of moving men, and man-made goods.

Deepika Amirapu

There are few countries that India is singularly free of any kind of dispute – ideological, cultural or territorial. And luckily for India, super power Japan is one such. The two countries have enjoyed strong admiration and popular goodwill since diplomatic relations began in 1952. While the bilateral relationship between the two countries has resulted in the presence of many Japanese firms operating in India, Japan still ranks fifth amongst all trading partners that India has. It is to narrow this vacuum that Japan proposed to be a part of India's trillion dollar investment to improve the state's infrastructure.

Through the Japanese External Trade Organisation and the Japanese International Cooperation Agency, Japan will fund building of roads, industrial parks and commuting networks in the country. The Chennai Bangalore Industrial Corridor, coming up along three Southern states is one of the biggest projects estimated to cost about $200 billion and is expected to boost commerce between south India and east Asia by enabling quicker movement of goods from these places to the Chennai, Ennore and Krishnapatnam ports.

Japan has over half a decade of experience in toll road management and administration since the operation of its first expressway. The country's expressway companies have managed its expressway network considering safety, comfort and efficient traffic conditions through their long term experience in expressway operation. Thus, participation of these companies in a PPP expressway project in India may succeed in achieving high level of road maintenance and satisfaction to road users in terms of expressway traffic.

But the more pertinent reason why Jica was signed on is for a greater financial benefit. A financial analysis by formulating several scenarios of PPP scheme revealed the Bangalore–Chennai Expressway Project, which requires huge initial investment, will not be feasible without Viability Gap Fund (VGF). VGF provides funding of up to 40 per cent of project cost according to the government regulation of India. However, the financial feasibility of IRR is not satisfied to achieve proper investment level even with using the maximum 40 per cent from the VGF. On the other hand, the hybrid PPP scheme, which uses ODA loan to finance 50 per cent of the initial investment, becomes feasible in the financial aspect.

When the Bangalore-Chennai highway was first conceptualised, the build, operate, transfer (BOT) model was considered to manage and operate the corridor. However, India had never witnessed the construction of such a big corridor and no India infrastructure firm had demonstrated ability to manage a project of this scale. Hence, toll collection and traffic management techniques were proposed based on practices adopted in Japan for such projects.

For pledging much of its moolah and technical expertise, Japan stands to gain equally. The project would have at least 30 per cent of Japanese firms concentrated near the vicinity of Chennai–Bangalore corridor. Ergo, the Bangalore–Chennai Expressway is expected to bring great benefits to the Japanese companies as well as to Chennai–Bangalore economic corridor. Japan, unlike India is an export driven economy and with most of its cities ranking among the world's costliest places to reside, land is the one resource that dear to the country. And land is now abundant in India. Sensing this opportunity, the Japan Chamber of Commerce and Industry in India had submitted their proposition to implement the Bangalore–Chennai Expressway project as early as February 2011.

Japan has expanded in to most ASEAN nations over the last three decades. In China, there are 30,000 Japanese firms doing business and India has just 5 per cent that number with 1,500 companies from land of the rising sun investing in the country.

Cut to 2014 and you'll know the pre-feasibility study has been completed by JICA and the agency has appointed Price Waterhouse Coopers and Nippon Koei have submitted the report specifying the nuts and bolts of the project. It suggested the realignment and expansion of the project extending it to Krishnapatnam in Nellore, Andhra Pradesh to help divert manufactured cargo to the port. This will help faster movement of cargo as the Chennai Port often faces congestion issues. Also, Krishnapatnam is close to the special economic zone Sri City where a number of Japanese companies have invested already. "About 300 acres have been earmarked for Japan's

firms and ostensibly 16 companies have signed memoranda of understanding to set up shop," Deepak Anand, Director, Research, Jetro India said.

Although the new plan of the CBIC might seem like a detour to include Krishnapatnam in the blue print, when Jica conducted a study of the 100km surrounding the area close to the corridor considering the future scope of development, they saw Nellore fall under the area. Nellore is also one of the two nodal clusters the Andhra Pradesh state government identified for the CBIC. The three states that are part of this corridor- AP, Karnataka and Tamil Nadu were asked to identify two nodal clusters in the ambit of the corridor that would be developed first as a pilot project. Jica will fund one of the two clusters in each state to begin with. Tumkur in Karnataka and Ponneri in Tamil Nadu will be jointly developed with Krishnapatnam.

### Implementation and funding

Over the next 30 years, several projects will come up in these areas and the other clusters. About 28 projects have been identified so far. Among them are the Chennai-Bangalore expressway, bullet train to carry freight and passengers, a satellite town ring road in Karnataka and a peripheral ring road to connect to the town have been in the works so far. "We are now in the process of preparing the master plan. Once this is ready, the implementation will begin and we will start acquiring land for the projects," said Deepak. The business or the master plan will include the development of satellite towns and infrastructure to improve connectivity to these towns that will integrated into the industrial areas. These industrial areas will be developed as sector specific clusters for Information Technology, Biotechnology, food processing, automobile etc.

The master plan will now have to be prepared. Once this is ready, then the implementation will begin as we have to look in to the land acquisition aspects. The business plan or master plan will include the development of the satellite towns. Then there will be integrated industrial areas. They will be developed as sector specific clusters- IT/BT, food processing etc. Once the master plan is ready, the infrastructure development will begin to take place. The states will identify and submit to the Centre, a list of projects they would like funded by Jica in their node. The Centre will then ratify the projects and those accorded clearance will be funded by Jica when funds are released to the state. This is called the Yen Loan Programme.

> "While the development plans for the CBIC region has been completed, we have just commenced the preparation of the master plan for the three industrial nodes in Krishnapatnam, Ponneri and Tumkur that will consist of industrial parks and commercial facilities."
>
> **Ichiguchi Tomohide,** Deputy Chief Representative, JICA

Jica has so far pumped in money to complete the feasibility study. But the agency estimates that over the next 30 years of project implementation, a whopping amount of $175 billion would be required. The quantum of investment would be divided among the state and Central governments and Jica.

### Monitoring

The monitoring agency for the projects is a committee in each state. While Tamil Nadu's industrial promotion board will oversee the projects in its state, Karnataka and newly formed Andhra Pradesh are still to constitute or name a body of officials that will supervise and expedite project development. This begs a response to who can invest in these nodal clusters. Much like the Delhi Mumbai Industrial Corridor, at the primary level, it has to be a Japanese consortium and any Indian company that wants to set up a unit has to partner with a Japanese firm. The focus sectors are automotive, renewable energy, electronics, pharmaceuticals and petrochemicals.

"We expect the response to be tremendous once the infrastructure is in place. Chennai and Bangalore are adding up 50 companies, mostly in the manufacturing sector every year, especially in the southern stretch," Deepak says. Bangalore is already home to 300 Japanese small and medium companies. A third of them are in to engineering and automotive segment and the remaining are into logistics, IT and real estate. Much of the investment in Bangalore is of the size of ₹100-150 crore.

Jica will allow a soft loan with low interest rates. These rates will vary from project to project. After five to ten years, the government will have to start paying the principle and interest back to JICA.

### Benefits galore

The Chennai-Bangalore corridor will not only ensure faster movement of cargo, but also facilitate the establishment of industrial parks. For instance in Bidadi, Karnataka, Toyota already has put up a plant and in Narsapura, its country cousin Honda has established its unit. The corridor will help align these manufacturing plants by building roads. NH 207 will be specially allocated to move cargo from the industrial parks in Tumkur to the ports bypassing the Bangalore city roads. The cargo will be moved by rail and road to Chennai or Krishnapatnam as the cost of laying roads connecting Mangalore is very expensive and the mountainous terrain could pose threat to cargo safety. Apart from attracting investment and generating economic activity, the corridor would improve the energy and telecommunication systems in the regions, the absence of what is now a major drawback for any investor to set up his unit. The development of such corridors in Thailand, Malaysia and Korea has improved regional trade with neighboring countries by 40 percent.

# Reducing Transaction costs

Even as the Anup Pujari high level committee readies its recommendations to slash high transaction costs in exports, the Customs department has stepped up its efforts to ease the process of doing business. In this article, Mala Srivastava of the Central Board of Excise and Customs allays fears of delays and procedural labyrinths

Vijay Kurup


For India to be competitive in the global trade, reduction in transaction costs is *sine qua non.* These costs do not add value to the product, but being procedural matters only end up in increasing the cost of the product. The paperwork delays attributed to the Customs and other regulatory requirements is one of the major contributors to high transaction costs. Mala Srivastava, Member (Customs), Central Board of Excise and Customs (CBEC), Ministry of Finance, spoke of the various Customs initiatives to reduce transaction costs in a recent seminar organised by CII on Transaction Costs & E-Commerce. In India the base of e-commerce is still constricted owing to procedural hurdles and delays. As per a FIEO or Federation of Indian Export Organisations, the transaction cost for Indian exporters is about 10-12 percent of the total exports as compared to 1-3 per cent in developed countries and 6-9 percent in developing countries. "One of the measures to reduce transaction time and costs is to have an effective EDI system," said Srivastava. "From Custom's side, we are committed to trade facilitation." She reeled out statistics in support of her contention. They were connected to 121 Customs locations across the country and served 6.7 lakh exporters and importers and accounted for 98 per cent of import and export document processed through EDI. They had allowed 24 hours of filing of documents, 24 hour of e-payment of 99 per cent of Customs duties. Electronic disbursement of drawbacks and export incentives were all through EDI. More than 50 per cent imports documents were cleared without assessment.

The dwell time of the passage of import and export documents were being monitored, said Srivastava, and the publication of time release studies of clearance export and import consignments at major customs houses had been made mandatory. These reports would be available to the trade. The process of clearance was being expedited at the ports. All documents were subjected to concurrent audit as per the international system which meant that accredited clients had extended the facility of goods being inspected at their premises after effecting delivery from the port or ICD.

In 2005 the World Customs Organization (WCO), an organisation of 178 Customs administrations, adopted the SAFE Framework of Standards to secure and facilitate global trade. Srivastava, said that they had "adopted this programme with full enthusiasm." Here an Authorized Economic Operator (AEO) such as an importer or an exporter engaged in the international movement of goods, approved by the Customs as compliant with the supply chain security standards, was given the benefits of simplified Customs procedures and reduced Customs intervention. For instance, any AEO would get appropriate facilitation with the Hong Kong Customs under this programme. It "raises the level of facilitation for all our stakeholders and can considerably reduce transaction costs. We intend to get into more and more mutual recognition so that our exporters, importers, logistic provider and other stakeholders who are registered as AEOs get full benefit."

In a recent World Bank study, India was ranked 132nd in the ease of doing business. The report was based on various parameters in trade and commerce such as infrastructure logistics, ports and customs operations etc. The survey, according to Srivastava was "technically a perception survey based on responses of the participant's experience."

"This survey," Srivastava continued, "was not backed by the data from the port, Customs or other regulatory authority. We therefore decided that we should ourselves have a system of surveying our efforts in this direction." With this agenda in view, Srivastava continued, that they had already embarked with FICCI in a joint effort to study the cost and time involved in conducting international business. The results of that study would be received by September 2014 and would enable the Customs "to get a proper perspective of where we stand to enable us to improve, remove procedural bottlenecks." The facilities of 24x7 Customs clearance of export and import of goods would further be extended by December 31, 2014. From then on, all the exporters and importers would be allowed "some kind" of 24x7 facility at all 17 seaports. This however required inter-ministerial coordination at the highest level.

Srivastava announced that the Prime Minister's proposal of single window clearance would be extended to the Customs department also. An inter-ministerial committee had been constituted for a single uniform platform in which different government regulatory bodies will coordinate for clearance under single platform. All these efforts, Srivastava is confident,will reduce the transaction costs. mg

# Buckingham Canal
# Cargo channel or Colonial Legacy?

The 19th century Buckingham Canal that was once a tidal canal along the Coromandel Coast is in the throes of existence. The Centre and the state government of Andhra Pradesh are gauging the possibility of its revival. But will the cost of operating it outweigh the benefits? The article examines the chances of restoring the project.

Deepika Amirapu

Around September this year, the Centre and the Andhra Pradesh state government jointly ordered a survey of the Buckingham Canal to assess the feasibility of moving cargo and passengers upon agreeing to restore the now out-of-commission canal. The district collectors from two districts of Andhra Pradesh were tasked with the job of studying the requirements for re-commissioning the canal.

The survey is still underway and may take a few months to arrive at a conclusion because the Centre is still understood to be debating on whether the Buckingham Canal should be developed as an inland water way or a

water conduit system. “We are making an internal assessment on how parallel roads can be developed on both sides of the canal to aid movement of vehicular traffic and create other facilities. Our assessment will also reveal how this maritime activity will affect villages around the area and the mechanisms to tackle flood waters,” the state’s Principal Secretary, Irrigation, Aditya Nath Das told MG.

In the interim, it would be interesting to consider some points raised by the previous survey in 2008 conducted by RITES and WAPCOS, both central government owned companies that raised many pertinent points on the operability of the canal. The four canals of Eluru, Kakinada, Commanur and Buckingham were studied and a techno-feasibility report was submitted that stated the possibility of active navigation along this water route from Kakinada in Andhra Pradesh to the Puducherry Union Territory.

Here is a little trivia for those coming in late. The 1,078 km canal is a long stretch of four inter-linked waterways that owe their sustenance to the Krishna and Godavari rivers. Until 1975, the canal was used to transport much of the coastal cargo between Andhra Pradesh, Pondicherry (as it was known then) and Tamil Nadu through the Kakinada Canal, Eluru Canal, Commanur Canal and the Buckingham canal. The project gets its name from the last stretch where it flows from Kaluvelly into the Chennai city. The commodities that were then transported through this canal were rice, salt, sand, forest products, paddy, pulse, building materials etc. by country crafts of 30 to 40 tonnes capacity. Noticing the upside of moving goods through this canal, the Inland Waterways Authority of India asked for a detailed report on the techno-feasibility of transforming this canal into a waterway. The report found that “navigation in isolation was not found promising due to in adequate cargo potential. Moreover, the irrigation canals are still being maintained by the State Government of Andhra Pradesh but Buckingham Canal was unable to pay for its own upkeep and maintenance and started silting up badly and slowly went out of use. This has resulted into canal system losing its existence.

But studies also revealed that if navigation was linked with the existing irrigation cum navigation canals connecting Chennai and Kakinada, there is possibility of increasing the cargo potential through the integrated canal system”. To further develop this canal in to a waterway, the Andhra Pradesh government had subsequently suggested to the IWAI in the 90s, possibilities of enabling operations in this IWT on the integrated waterway system canals along with rivers falling in the areas of AP and Tamil Nadu.

IWAI acquiesced to this request and RITES and WAPCOS conducted studies repeatedly in 1993-94 and late 2000s on the existing and potential traffic. While the studies did indicate a revival, the canal was already known to be an unlikely winner because of the sheer work its restoration would involve and the eyebrow raising funds it would command for such an operation. The IWAI’s estimate in 2008 suggested the project would require ₹1,200 crore to merely make the canal navigable. A simple projection of the cost of this project in the current scenario of increased inflation could require the centre and the state to pledge much more in to making this happen.

The Telugu Desam Party governing the state is keen on re-considering this canal as part of the coastal integration projects it plans to up exports and transport more produce via sea. To be fair, there are a few who believe some determination and more money this canal could be reused. PVB Radha Krishna Murthy,

**Potential cargo for proposed waterways**

| S. No. | Cargo | 2014-15 | 2019-20 | 2024-25 | 2029-30 | 2034-35 | 2039-40 | 2059-60 |
|---|---|---|---|---|---|---|---|---|
| 1 | Coal | 14409 | 15158 | 15985 | 16898 | 17906 | 19019 | 24756 |
| 2 | Rice | 5163 | 5985 | 6939 | 8044 | 9325 | 10810 | 19524 |
| 3 | Grains | 1774 | 2057 | 2385 | 2765 | 3205 | 3715 | 6710 |
| 4 | Cement | 1694 | 2061 | 2507 | 3050 | 3711 | 4515 | 9893 |
| 5 | Fertiliser | 1412 | 1637 | 1897 | 2199 | 2550 | 2956 | 5339 |
| 6 | Forest produce | 761 | 926 | 1127 | 1371 | 1668 | 2030 | 4448 |
| 7 | Salt | 455 | 554 | 674 | 820 | 998 | 1214 | 2660 |
| 8 | Genl Cargo | 1956 | 2160 | 2385 | 2633 | 2907 | 3210 | 4769 |
| **Total Cargo Potential (000 Ton)** | | **27625** | **30538** | **33899** | **37781** | **42270** | **47469** | **78100** |
| **Total Cargo Potential (Mn Ton)** | | **27.62** | **30.54** | **33.90** | **37.78** | **42.27** | **47.47** | **78.10** |

from the Kakinada Port believes traffic congestion can be reduced if agro commodities and fertilizers can be shipped using barges. “The maximum vessel capacity is 1,000 tonnes and one vessel passing by the canal means 100 lorries off the roads,” he says. The Kakinada Port currently owns 90 barges that it utilises in the anchorage for loading and unloading purposes. Murthy feels transporting cargo through the coastal route will prove to be very economical and cause less pollution if the requisite infrastructure is built.

While there could be little dispute about his proposition, It is the cost of infrastructure and its recovery that maritime experts are questioning. The canal is now silted in most areas due to lack of maintenance and as many as 190 low level bridges have been constructed over the canal at locations for local requirements. Control structures except in Eluru are nowhere to be seen. Due to unchecked rapid urbanization, the report notes that cross drainage works lead their discharge in to the canal in certain populous pockets. Land acquisition and dredging (both sand and rock) would consume a large slice of allocated funds in the pie that asks funds to be

## Course of the Buckingham Canal

| Canals | Kms |
|---|---|
| Kakinada Canal(Kakinada to Rajahmundry) | 50km |
| Eluru Canal (Rajahmundry to Vijayawada) 2 | 139km |
| Krishna river (Wazirabad to Vijayawada) | 157km |
| Godavari river (Bhadrachalam to Rajahmundry) | 171km |
| Commamur Canal (Vijayawada to Peddaganjam) | 113km |
| North Buckingham Canal (Ped-daganjam to Central Station of Chennai) | 316*km |
| South Buckingham canal (Central Station of Chennai to Marakanam) | 110*km |
| Marakanam to Puducherry through Kaluvelly tank | 22km |
| **Total length of waterway** | **1078km** |

apportioned for modification and reconstruction of navigational locks, bridges and building of terminals for cargo. At last count 15 terminals were proposed to handle cargo with suitable equipment to handle general cargo and coal/ fertilizers. The cost of operating the canal should also include setting up navigational aids to help movement of cargo during all seasons. While a senior official from the IWAI believes depth availability even in lean seasons can be achieved through the braided water flow if certain regulatory approaches are imposed, the biggest hurdle for the governments to see this project through are the two dams under construction-Pulichintala across the Krishna and Polavaram across the Godavari. After much opposition from environmentalists and verbal duels with political parties, the state got approval for these two dams to please the farm-vote hands. These dams are a threat to the canal coming through as it could affect water flow and tides on the river could jeopardize the cargo.

The report identified four main cargo hinterlands. “The Kakinada-Puducherry Inland waterway could be divided into four major cargo belts viz. Kakinada belt, Krishna belt, South AP belt, and Chennai belt. Analysis of these cargo belts indicates that coal, cement, fertilisers and food grains account for majority of the total traffic in the hinterland.”

Andhra Pradesh being the rice bowl of India generates enough cargo for the canal to exist. Currently, a tender has been floated by Food Corporation of


India to transport rice from Kakinada on the east coast to Kollam on the West Coast by an Indian shipping company as coastal shipment. But the issue that needs much deliberation is the viability of the canal. K Ravichandran from ICRA notes that the costs involving the upkeep of the canal are too expensive to make it navigable. “An efficient multi-modal logistics system should be worked to transport cargo from the hinterland to the canal. Unless viability grant funding is made available, this project would find it difficult to raise money,” he said.

World over, transport of cargo through inland waterways is voted to be the most economical and eco-friendly mode of transport. The Buckingham Canal could be one exception. The revival of this canal requires much more than intent. Unless superior technology is used to remodel and service this canal, the functional relevance of this waterway will be negligible. Still, the state government should spare no efforts in protecting this colonial marvel from the stench of industrial effluents. mg

## Shipping Professional Network Mumbai

# Cure sea blindness Create awareness

### Professionals from diverse verticals of the shipping industry come together to share views, ideas and network


The Shipping Professional Network in Mumbai (SPNM) held its 10th networking event at the MCA Recreation Club Mumbai on October 9, 2014.

The highlights of the evening were the three eminent speakers, viz. Shankar Chatterjee, Chairman and Managing Director of S CUBE Transcontinental Group, Capt Ajay Achuthan, Director – Projects of MASSA and the Key Speaker Capt Deepak Tewari – Chairman CSLA (Container Shipping Liners Association).

The evening started with the welcome address by **Manas Vaid** – Chairman, SPNM who highlighted that the organisation has grown from its humble beginnings with less than 20 professionals in sept 2011 to the current attendance of more than 200 professionals. This, he stressed on the fact was due to the support from the industry which includes guidance and mentoring from some of the industry leaders.

The first speaker of the evening **Shankar Chatterjee** stressed on the fact that key to any business are people who are always more important than any software or hardware. He put forward his thought on logistics as a science of movement and not just the movement itself highlighting the difference between Cost and Price and in general in our industry people very often don't look at cost and consider only the price. He also stressed on the part of Information technology which would be the key drivers of the trade and in the next decade there would be a paradigm shift, with good companies doing good but great companies doing a better job.

The second speaker of the evening **Capt Ajay Achuthan** with his decades of sailing and shore experience highlighted on the learning experience of various SHIPS,viz. scholarship, cadetship, captain-ship, citizenship, partnership, comradeship, showmanship, fellowship, friendship, leadership, penmanship, worship, workmanship, lectureship, mentorship, relationship and many other traits. He brought up the simple application of density and buoyancy and how it applies equally to an organization. Summing up the competence-SHIP, he let the attendees imagine how their world would be like if they would be able to read or control their organisations and people's buoyancy factor.

**Capt Deepak Tewari**, the key speaker hit the mark with his topic of SEA-BLINDNESS. He emphasized on the lack of awareness about shipping and its importance and lamented the fact that today a common man on the street does not know about a giant industry which is silently driving the lives which is called the shipping industry. Even a small incident involving the aviation industry gathers enough media attention compared to a severe maritime disaster or accident. It doesn't stop here, common lives are not even aware of the fact that the freight rate for moving a teu from Shanghai to Nhava Sheva through a distance of over 9,000 km at sea is the same as that of moving a teu from Nhava Sheva to Aurangabad over land for around 400 km.

He called upon the entire fraternity of Shipping Professionals to make efforts in removing this SEA-BLINDNESS in our society through various social media, among family and friends where people become aware of how shipping affects their lives deeply and what a fantastic industry we all are a part of.

Giving the Vote of thanks, **Jhanvi Mehta** – Committee member – SPNM touched upon the reality of how various companies in the shipping industry actually touch lives by willfully contributing towards supporting the needs of under privileged children, old lives and those in need.

# TIME TO WAKE UP AND MAKE IN INDIA

A slew of opportunities face the domestic shipbuilding sector which include the need to expand the Indian flagged fleet, government's push to build in domestic ship yards through its 'make in India' campaign and fleet modernisation by the Indian Navy, this apart from the export opportunities. All the sector needs to do is streamline operations, upgrade technical expertise and capitalise on the newly implemented maritime policies, avers **Antony Prince.**

**Antony Prince**
President
GTR Campbell Marine Consultants Ltd

### The current state of Indian Shipping

Of the $30 billion Indian export and import freight market, only 8 per cent is carried by Indian flagged or controlled vessels. This in itself is a compelling reason to justify the necessity to expand our Indian controlled tonnage. Moreover, as we are poised to become a world economic power it is imperative that we work on enhancing our presence in our own freight market and also in that of the international market.

### Shipbuilding capacity

With 21 major shipbuilding facilities and numerous other minor shipyards, India has ample infrastructure to build the immediate requirement of ships. If we look at the past performance of the shipyards we can see that it is not the lack of infrastructure but it is the lack of productivity and management that hampered timely deliveries and hence damaged the reputation of the industry. There is room for improving Indian Shipbuilding productivity.

### How to improve productivity?

Major drivers that improve the productivity in shipbuilding are:

- Supportive government policies
- Favourable taxation and financing
- Access to subsidies
- Domestic production of raw material like steel and marine auxiliary equipment
- Availability of modern indigenous ship design
- Skilled shipbuilding personnel like shipyard managers, designers, engineers and workers

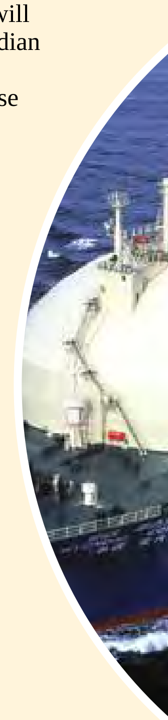
In the past, government did have incentives in place for shipbuilding. Among many others there was a 30 per cent shipbuilding subsidy available to shipyards until 2007. There was a worldwide shipbuilding boom starting from 2003 when Indian shipyards received a disproportionately large number of export orders compared to previous years. However, most shipyards failed to deliver the ships resulting in massive order cancellations and the inability to benefit from the subsidies.

The industry was deficient in recognizing the need to encourage and promote Ship design capability within the country save for some effort from the private sector. Ship design is the foundation on which a ship is built and the single most important factor that determines quality, timely delivery and profitability. The industry did not significantly invest in training shipbuilding personnel. There was not enough Academia-Industry interaction to produce an effective curricula that was required for ship design, shipbuilding, shipyard management and project management. It did not develop a build strategy such as adopting modern shipbuilding practices or acquiring such know how despite building new infrastructure. There was a mismatch between the existing infrastructure and the type of ships built compounded with a lack of application of modern technologies.

However, the public sector undertaking like Cochin Shipyard delivered more than 40 vessels in high quality and in good time starting from 2003. This demonstrates that while the government has a major role to play, the industry also has its own responsibility to grab all avenues open to them to improve their productivity and profitability.

### Impact of new maritime policies

The current Indian Government having realized this enormous deficiency of Indian flagged or controlled tonnage has come up with several policies that will not only encourage expansion of Indian controlled tonnage but also fuel the growth of Indian Shipbuilding. These



policies once in place will not only prevent drainage of valuable foreign exchange but also be a force multiplier in way of creating additional job opportunities directly for seafarers, ship management personnel, ship builders and indirectly in various related fields like manufacturing, insurance, banking, legal, and service sectors.

One of such Government policies is the requirement to build in domestic Shipyards 3 nos. of LNG carriers out of 9 nos. that GAIL needs by 2017 to transport LNG from USA to India. By some estimates up to 40 LNG carriers will be required by 2025 to meet India's growing energy demands. This action sends a clear message that the country will emphasize on domestic shipbuilding and in future will insist on technology transfer as part of any overseas purchase contract.

The Government is sensitive to the industries' needs and ready to implement policies that will enhance their ability to meet the challenges.

### The need for investing in shipping and shipbuilding

It is reasonable to think that since there is an overcapacity in Shipping and Shipbuilding overseas, India should capitalize on same by chartering surplus tonnage or purchasing foreign built ships at reduced costs. The logic cannot be fully accepted for the following reasons; first of all, India will be dependent on other countries for the shipping of its own cargo. This could have severe implications at times of distress. Secondly, India will have no negotiating power in the international freight market. Thirdly, if we look at the modern Chinese history, they entered into ship owning and shipbuilding sectors in the early nineties when there was an overcapacity in global shipping and shipbuilding. However, they have made enormous expansion in ship owning and shipbuilding resulting in the growth of their manufacturing and logistics sector leading to a healthy GDP growth.

**up to 40 LNG carriers will be required by 2025 to meet India's growing energy demands.**

India will therefore need to invest in shipping and shipbuilding, port infrastructure, steel and ancillary equipment industry in order to enhance its ability to meet trade requirements and to have a positive impact on its GDP. It will complement the current Government's "make in India" campaign and to increase a growth in manufacturing sector from 15 per cent to 25 per cent.

### The opportunities available in the defence and the export sectors

Additional opportunities are available to Indian shipbuilders by way of exclusive building of Indian Naval Ships in Indian shipyards. The Indian Navy and Indian Coastguard have an ambitious program of investing nearly $40 billion in building state of the art warships and support crafts that are required to modernize their aging fleet and meet the gap of vessels required to protect its vast coastal line and economic zone. Now it is the turn of the Indian shipbuilding industry to grab these favourable opportunities created by the government with clear cut policies and governance.

So far we only discussed opportunities for building ships for the domestic need. With abundant supply of skilled labour, engineers, and management graduates who can be trained in the shipbuilding sector, India has enormous ability to enter into export of high quality specialized ships like LNG, FLNG, FPSO, FSRU,Oil Rigs, Offshore support vessels, Research vessels, and Naval and Coastguard vessels.

Based on India's domestic and international trade it is envisaged that following type of vessels will be required in future. The list takes into consideration the potential export orders

> One of such Government policies is the requirement to build in domestic Shipyards 3 nos. of LNG carriers out of 9 nos. that GAIL needs by 2017 to transport LNG from USA to India.

when Indian shipbuilders become price competitive and are able deliver good quality ships on time.

- Bulk Carriers
- Tankers – Dirty, Clean, Product, Chemical
- LNG carriers
- LPG carriers
- Ethane, Methanol carriers
- Container vessels
- Passenger vessels
- Ferry vessels
- ROPAX vessels
- RORO vessels
- Car Carriers
- Research and Survey vessels
- Dredgers
- Cement carriers
- Coastal vessels
- Inland waterway vessels
- Tug boats
- Offshore and inshore vessels
- Oil rigs
- FPSO, FSRU, FLNG type vessels
- Special crafts
- Barges
- Navy and Coastguards vessels
- Support vessels for Ministry of Shipping, Ports, Marine & Coastal Police

### However, the ability for shipbuilding in India to grow is largely based on

- A clear cut national Maritime Agenda
- Government willingness to promptly implement industry requirements
- Favourable policies and financing for Indian controlled shipping
- Extension of "Make in India" policy to the shipbuilding industry
- Preferential treatment for Indian controlled tonnage
- India's planned growth of manufacturing industry from 15 per cent to 25 per cent resulting in sizeable increase in two way traffic of goods
- India's expanding energy needs

### Summary

In summary the current Indian controlled fleet capacity is only capable of handling 8 per cent of the Indian trade and needs to grow in order to better position itself in the world market. While the infrastructure exists to meet the demand it is important to have a national maritime agenda, to adopt modern shipbuilding practices, to acquire knowhow and to encourage development of indigenous designs. The new Government policies will facilitate the growth of Indian tonnage and the industry will need to rise up to the occasion. The expansion policy of the navy and the coastguard, the growth in the manufacturing sector if combined with "Make in India" campaign will offer unprecedented opportunity to the industry. With the existing talent pool there is the possibility to forge ahead by emphasizing on training. mg

Readers are encouraged to read "*Prosperous Nation Building through SHIPBUILDING – In pursuit of leadership* "by Cdr, S Navaneetha Krishnan (Retd)

### Chinese minister makes shipbuilding vow

Su Bo, China's vice-minister of industry and information technology, vowed to seek greater international cooperation as the nation looks to grow its shipping and shipbuilding prowess. Speaking at the inaugural Danish Maritime Forum in Copenhagen, Su noted how China had built up world-leading orderbooks at its shipyards, but it would seek to rise up the ranks further.

"We are trying to reach international standards in global shipbuilding," he said, paying particular attention to ambitious LNG and offshore projects. "In the coming years Chinese shipping will raise the standards of technology and quality," Su vowed.

# Cry for abolishing 'terror' taxes gets louder

## Celebrating the tenth anniversary of the Indian Shipping Summit the Indian ship owners gave a clarion call for rationalising tonnage taxes

India has to rid its shipping sector of the penal taxes, that ship owners now call 'terror tax' for the domestic shipping lines to survive, argued most speakers at the India Shipping Summit that hosted a bevy of sector experts celebrating its tenth anniversary. Leading the line of speakers against a dozen taxes that are lacerating the industry's profits was Chairman and Managing Director of the Shipping Corporation of India, Arun Gupta who said "The tonnage tax is like terror tax. The purpose of levying this tax has not delivered the expected results, and needs to be scrapped immediately."

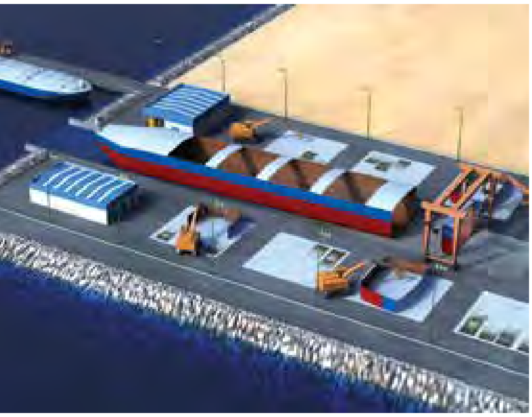
His views were echoed by many speakers in the subsequent sessions who spoke unanimously on the funding options for Indian ship builders. They augured offering sops to ship builders will not solve their funding issues, rather soft loans should be provided to ship operators. As a note of advice to ship owners, former SCI Chairman **Sabyasachi Hajara** said vessel owning firms could concentrate on crude oil and thermal coal as the economic scenario heightened the necessity of these two commodities. Indian companies should attempt in securing long term contracts from power and oil firms that would lower the cost of financing for them considerably.

Over three sessions each on two days, the speakers made a comparative analysis of the changes the sector had been witness to. The tenth edition of the India Shipping Summit projected the highs and lows of the industry in the last decade discussing solutions to current problems and the way forward into the next decade of shipping in India.  India has seen considerable change in the economic growth outside of maritime industries, but outside of India, the global shipping market has evolved too.

Stating that India's tonnage was higher than China's in 1975, veteran shipping expert **Capt JS Anand** lamented on the plight of Indian shipping saying the India government is resorting to certain practices that are hitherto unknown to international shipping instead of creating a level playing field for domestic ship owners. He called for a unified representation by the industry so that measures can be collectively addressed by all the stake holders. Issues on the quality and availability of manpower in the maritime sector are a problem that needs serious debate, the attendees averred.

However, speakers representing the ports segment of the industry presented a brighter picture lightening the atmosphere. **Rajiv Agarwal** from Essar Ports highlighted that the traffic at Indian Ports has grown at a CAGR of eight percent and the government's focus on Sagarmala will surely push the country towards port led development. "Increased use of inland waterways and increased tonnage capacity will mark the beginning of a new era in shipping," he said. A rise in tanker demand was seen as a good trend for the country's shipping market. The panel of speakers also discusses how the dry bulk sector can be improved and the caution chartering companies should exercise while enforcing a change in their business.

The government's initiatives on improving trade relations with neighbours were heralded hoping it would usher in new paradigm in bilateral relations with maritime nations. "The Prime Minister's efforts in re-establishing links with these countries will usher in a golden era," **Narendra Taneja**, Convenor, India Shipping Summit. He spoke of the pro groth and pro people attitude of the new government and said the next ten years would be an exciting phase for the Indian maritime sector. Lauding the decision of the government to initiate steps to build a third of the required LNG ships in the country he said it was a chance for the ship building firms to improve their capabilities.



**Antonio Barredo**
Managing Director
DDR Vessels

# European Story Making sure it works

While the traditional ship breaking yards focus only on breaking and dismantling of the vessel, the European yards main priority is correct handling and management of a very complex and hazardous residue. Thus, the key to unlocking Europe's ship recycling potential lies in exploiting strengths of our state of the art waste management infrastructure and technology, avers **Antonio Barredo.**

Ship recycling is strikingly associated with the images of polluted beaches from the Indian sub-continent with huge ships scattered around all over the place with next to no consideration for health, safety or environmental protection.

However, in the last few years the tide has been turning in achieving responsible and sustainable ship recycling through new regulations, public pressure and European Union intervention. Only in August Hapag-Lloyd, Germany's leading shipping company, announced that they have adopted a new progressive Ship Recycling policy which sees them seeking out yards which comply with regulations and follow standards; which is an example of the positive direction the industry is navigating.

But what do these positive developments mean for European Ship Recyclers? Is this an opportunity to provide the market with a responsible ship recycling solution or is it still impossible to compete with the traditional ship recycling nations? Well, as a European Ship Recycler I think with the proper enforcement of the European Union's Residue Management legislations and the new Ship Recycling Regulation; why not?

### What are the European advantages at present?

Europe is emerging from a recession which has seen the decline of harbours, ports and related facilities around Europe. Taking Spain as an example, you have excellent but vastly underutilised port and harbour infrastructure, an unemployment rate of 24 per cent, the average wage on the decrease and a scrap steel import market of around 11 million tons per year; perfect conditions for a ship recycling industry.

Through utilising what we already have, in combination with our state of the art waste management infrastructure, and European strengths of utilising technology to increase efficiency and profitability we believe with the proper enforcement of regulations, Europe can have a serious place in the global ship recycling market.

How will Europe be able to compete with the prices being offered in the Indian sub-continent and China I hear you ask?

Well I believe Europe will not have to compete in the current market conditions; as through proper enforcement of the EU's Ship Recycling Regulation will see these yards closing down or having to invest and decrease their prices offered to reach the required standard. Moreover, we will continue to see the growth in shipping companies seeking the assurances of recycling their assets in yards they can trust and the general public pushing for change through organisations such as the Ship Breaking Platform. This may be wishful thinking I hear you say but in the worst case scenario of weak enforcement of the Ship Recycling Regulation, Europe can still have a healthy ship recycling market potential in the disposal of governmental, military and small to medium size vessels as demonstrated already in selected yards throughout Europe.

### Competitive European recycling yard

As mentioned above, the key to unlocking Europe's ship recycling potential lies in exploiting our strengths of our state of the art waste management infrastructure and utilising technology, and that is exactly what we are doing in one of Europe's first bespoke modern ship recycling yard here in Gijon, Asturias (Spain).

In traditional ship recycling yards the focus is always wrongly set on the breaking and dismantling of the vessel, but our approach is that the yards main priority is correct handling and management of a very complex and hazardous residue; the ship. That is why our yard has been specifically designed and built within the legal framework of hazardous residues management which offers us the advantage of maintaining full control over all eventualities, clarity and openness in our work, correct residue management and a constant sustainable view of the whole activity.

In addition we also strive to treat and manage as many residues and wastes onsite as possible to reduce sending wastes and residues to other waste management operators, landfill and incinerator sites. This is not only environmentally desirable but also contributes to our competitive advantage as it reduces costs and creates additional income in the sale of reusable and recyclable products.

> In the last few years the tide has been turning in achieving responsible and sustainable ship recycling through new regulations, public pressure and European Union intervention.

When it comes to the actual dismantling of the ship, again we have tailored a solution that provides a competitive edge. Normally the equipment and machinery seen in European yards has been taken directly from other related industries, the mechanical mobile shear is one example. In our yard we have worked with different specialised engineering companies throughout Europe to design specific equipment by adapting existing technologies to the job tasks needed. This will result in increased productivity and efficiency while ensuring enhanced protection of the workforce and the environment. These are only a few unique features of our yard which contribute to our competitive advantage but we are confident we will be able to offer responsible and sustainable ship recycling in Europe at a competitive market rate which will be attractive to those who wish to dispose of their assets without risk.

### Risk factors threatening success of EU yards

Mentioned throughout this article, the extent of how much ship recycling potential can be unlocked in the EU will really depend on how well regulations are enforced. I briefly touched on the yards in the Indian sub-continent and China, but for our yard the biggest risk factor is illegal and substandard yards operating in Europe. It seems unbelievable that in Europe we have yards operating unpunished and unmonitored without permits and licenses using rudimentary floating methods, river basins or abandoned ramps to break ships lacking the required environmental controls and permits. If the local and national authorities cannot effectively stop the unofficial and illegal yards from dismantling vessels this could potentially impact on the yards like ours who have invested in doing the right thing.

Part of the cause of the presence of illegal and substandard yards in Europe is somehow due to the unfamiliarity and confusion over the various laws and regulations for each member state and also regional variations within nations. The lack of a specific classification of the vessels as residues and clear and specific legal framework for end of life vessels, like the end of life vehicles and electronic equipment directives, causes great confusion and has even resulted in two ship recycling yards in the same EU member county being granted permission on the basis of two completely different legislations and compliances.

### Conclusion

In a market where there are many players with lower standards and therefore lower costs, and where the administrations are still somehow lost, European facilities must work smarter and more efficiently to compete and they must work together to tackle the unfairness in the industry and ultimately prosper. Europe is ready to embrace ship recycling once more. The European Union is not only responsible of its residues, but also is responsible for its people. We have the places, the equipment and the workers to do the job in fair conditions and at fair rates. The European Union must ensure that we also have the legal protection that will level the grounds in which we all operate. While there are the positive beginnings of shipowners and brokers ever-increasingly choosing responsible ship recycling, in the end, the true potential of European ship recycling facilities will always be linked to the economic difference between using sub-standard yards and modern certified ones. If the national and international administrations make sure all yards accepted are based on the same standards, both in Europe and outside Europe, and address circumventions of the law, then US, the EU ship recycling industry, will put the machines to work and provide the capacity immediately!

# The Liverpool connection

Billed as a new world class hub port for the UK and Ireland, Liverpool2, the first semi-automated container terminal for Europe will offer the benefits of cost, efficiency and environmental sustainability

Omer Ahmed

Peel Ports' Port of Liverpool, in north-west UK, is currently focused on developing the Liverpool2 container terminal, a critical project which could bring about a major shift in box movement to and from the country. This was highlighted by **Gary Hodgson**, Chief Operating Officer, Peel Ports, in an exclusive interaction with Exim India during his recent visit to Mumbai. He met with representatives of shipping lines, industry associations, etc. during his stay, pitching for Liverpool as a viable alternative for trading with the UK, especially with Liverpool2 coming up. The new terminal will be one of the most operationally efficient and modern facilities in northern Europe, he stressed.

While the existing 1-million TEU capacity box terminal at Liverpool port is the third largest in the UK, it has to be accessed through a lock that currently restricts the size of vessels that can be handled to 5,000 TEUs. The ongoing Liverpool2 project, which will add another million TEUs to the capacity, is constructing a new terminal outside of the locks, on the river, capable of handling the largest current container vessels. A two-year, £300-million project, it is scheduled to be completed by the end of 2015.

The project was mooted considering the increasing sizes of container vessels being built today (which was in effect sidelining the existing terminal), and, significantly, to leverage the geographical and logistical advantages of Liverpool and north-west UK, Gary pointed out.

Among the advantages are:

- Sixty-five per cent of the population of the UK and Ireland live within a 240km radius of Liverpool
- Seventy per cent of distribution warehousing in the UK and Ireland is closer to Liverpool than the south-east UK ports
- Fifty per cent of imports and 65 per cent of exports in the UK and Ireland are closer to Liverpool than the traditional deep sea ports in the south
- The Port of Liverpool and Manchester are rail and water connected and have 10 major motorways within 10 miles
- A cost-efficient land bank is available for water connected RDCs and NDCs, both in Liverpool and along the Manchester Ship Canal
- It is a new low cost, low carbon, low congestion solution for the UK and Ireland

The terminal will have a quay of nearly 900 metres with draught of 16.5 metres alongside (existing draught: 12.5 m), enabling the simultaneous handling of two 18,500-TEU vessels. The first five of eight rail mounted quay cranes, with an outreach of 60 metres, are on order, as also are 12 of an eventual 22 of the most modern semi-automatic cantilever rail mounted gantry cranes for the yards, besides other equipment. "Liverpool2 will be Europe's first semi-automated container terminal."

With more than 50 per cent of the cargo coming into the UK being delivered to end-users and distributors in the north of the country, and the region also being a manufacturing centre, Liverpool2 will eliminate 240 million km of movement by road and 200,000 truck journeys, thereby preventing 20 million tonnes of $CO_2$ being released into the atmosphere every year, according to Gary.

Liverpool2 will be the best-connected container terminal in the UK, with 10 motorway networks within 16 km, effective rail connections and a unique container shuttle service operating on the Manchester Ship Canal that offers connections to distribution facilities along the length of the canal. As the terminal nears completion, the capacity and frequency of the vessels in the shuttle service is proposed to be increased from the present average of 360 TEUs.

The terminal will be implementing an auto-gate system, with all trucks requiring a port issued registered RFID tag, and drivers required to present biometric tags identification so as to enable expeditious handling, with a high security level and, thereby, a faster vehicle turnaround. "The systems we are putting in place will ensure that a significant majority of the vehicles coming to the port will be handled and on their way within 30 minutes," said **Peter Faker**, Sales Director – Containers, Peel Ports.

## Bilateral trade with India

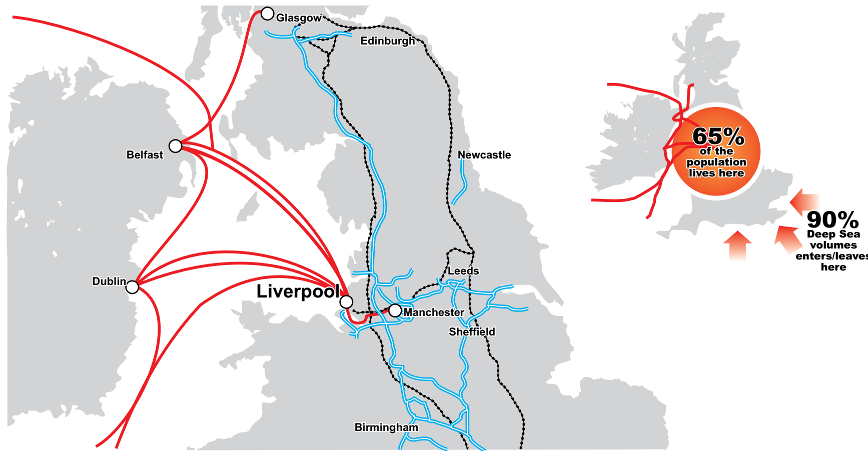
Currently offering global coverage through many of the major shipping lines, Faker is confident of a growth in liner services connecting to the new terminal, especially including India. "India is a key area we want to develop, given the growing bilateral trade." As per British government data, the UK aims to double its bilateral trade with India to £23 billion, while India seeks to increase bilateral trade with the UK to £24 billion by 2015. Total UK goods and services exports to India increased by 14 per cent from January to September 2013.

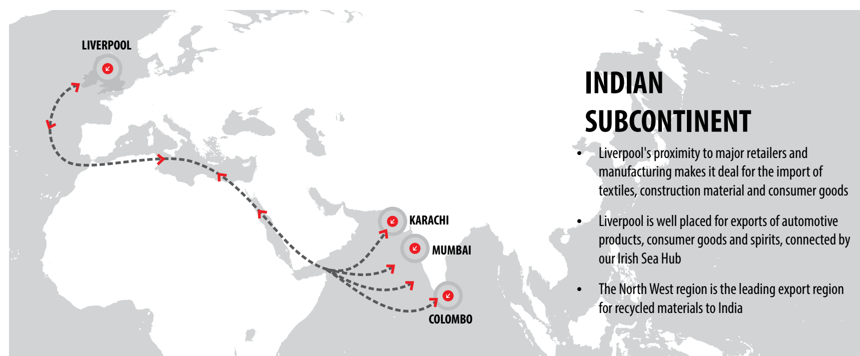
"Liverpool is thus the more logical and efficient port to use. We would like people to change their thinking and consider Liverpool as a serious and sustainable alternative. As regards India, this is just the beginning of a series of visits to raise awareness and put forward our case for Liverpool to be the port of choice for trade with the UK," Faker underscored.

## Lower costs

As of now, despite 60 per cent of all UK trade with India being located within 240 km of Liverpool port, only five per cent of containerised trade from India goes through this port. Some 95 per cent of containerised Indian cargo reaches the UK via the Southern ports, and is then moved north by road or rail.

"The infrastructure required to handle large vessels that go from India to the UK currently exists only in the Southern Ports. Moreover, the drive to evaluate Liverpool 2 has to come from cargo owners. For instance, when they start coming out with their annual tenders, they could put a query on the cost involved through various route options,




### Highlights

- Large Indian population lives within a radius of 400kms of Liverpool port making it attractive destination for EXIM cargo from India
- Ports on South-East of England have difficulty in reaching out to the hinterland which adds to time and cost of distribution. With effective intermodalism Liverpool2 can reach out to all destinations easily
- National distribution centres that will come up within the port and outside port will ease out the logistics
- Sailing into Liverpool terminal will save a lot of bunker cost to ship owners as the new SECA guidelines make it more expensive to reaching out to other ports as they fall in sulphur controlled emission areas.

including one through Liverpool 2," said Gary Hodgson, Chief Operating Officer, Peel Ports Group.

Liverpool compares favourably with other ports in the UK, such as Southampton and Felixstowe, and results in an average per container saving of £60. "When the regular liner services start calling on Liverpool, the actual benefits would be much more over time," said **Ravindra J Gandhi**, Regional Director, India sub-continent, Hans Maritime Services, a firm that represents Peel Ports in India.

Cargo groups moving from India to the UK include garments routed to major retailers and construction material, such as marble and stones. Cargo movement to India from the UK includes recyclable metal, plastics and paper.

In the UK, several discount supermarkets were increasingly looking at Liverpool and were relocating their distribution centres because they had realised that the distribution network in the UK was skewed to the Northern part of the country. mg

# LIQUID BOOM

At a time when India is seeing a surge in imports of POL products, which grew at a higher rate (28.5 per cent) compared to the imports of non-POL products (24.8 per cent) between the year 2003 and 2013, and growth in exports of oil products and clean petroleum products, ports across India are augmenting their capacity to support the growth momentum of the liquid cargo market.

Itishree Samal

In December 2013, Adani Ports & Special Economic Zone Ltd (APSEZ)'s subsidiary Adani Hazira Port begun operations of liquid cargo handling at its Hazira terminal; it successfully handled its first liquid bulk vessel *M T JBU OPAL*, which discharged 4,699 metric tonne of Vinyl Acetate Monomer (VAM). Hazira Port, which caters mainly to the South Gujarat Chemical trade, has 100,000 KL of storage capacity consisting of 50 tanks, while the second phase of construction for next 1,00,000 KL is already in progress including a separate base oil terminal of 37,000 KL.

Likewise, the Jawaharlal Nehru Port Trust (JNPT), which already has a liquid terminal, is planning to build its second liquid cargo terminal at the port in the next few years. The project, which will be implemented under the private public partnership (PPP) mode, has received the clearance from the Cabinet Committee on Economic Affairs (CCEA), chaired by the Prime Minister Narendra Modi, last month. The port also plans to have a liquid jetty and a tank farm spread over 70 hectares. The proposed terminal with a capacity to handle 26.5 million tonnes cargo a year will be implemented in two phases – Phase-I by 2017-18 and Phase-II by 2025-26. The port has short-listed six players including Adani Ports, IMC, Srei Infrastructure, SP Ports of Shapoorji Pallonji Group and United Liner Agencies for building the terminal.

Not only Hazira Port and JNPT are expanding their infrastructure, but also most of the major and minor ports are charting plans to augment or built port infrastructure in the next few years to meet the growing liquid cargo market.

### Factors driving the growth

India is among the top three liquid bulk importing countries in the world. If you compare the imports data of last decade (between FY 03-FY13), surprisingly you will find imports of POL (petroleum, oil and lubricants) items have grown

## Port-wise import of edible oil from Nov 2013 to Sept 2014 (11 months)

| Port Name | Refined Oil | Crude Oil | Total |
|---|---|---|---|
| Chennai | 275,141 | 663,789 | 938,930 |
| Haldia | 39,980 | 1,501,355 | 1,541,335 |
| JNPT | 288,122 | 847,200 | 1,135,322 |
| Kakinada | 106,272 | 519,186 | 625,458 |
| Kandla | 151,214 | 2,637,713 | 2,788,927 |
| Krishnapatnam | 775,461 | 356,884 | 1,132,345 |
| Mangalore | 117,049 | 413,368 | 530,417 |
| Mumbai | 114,599 | 96,194 | 210,793 |
| Mundra | 12,295 | 634,136 | 646,431 |
| Tuticorin | 162,061 | 82,919 | 244,980 |
| Budge Budge | 16,280 | 456,648 | 472,928 |
| Other ports | 91,339 | 29,010 | 120,349 |
| **Total** | **1,433,155 (1.5 Million Tonne)** | **8,955,060** | **10,388,215 (10.4 million tonne)** |

## Port-wise import of non-edible oil from Nov 2013 to Sept 2014 (11 months)

| Port Name | Non-edible oil imports |
|---|---|
| Chennai | 3,800 |
| Dahej | 30,000 |
| Kandla | 62,289 |
| Mangalore | 6,000 |
| Mumbai | 63,548 |
| Mundra | 19,142 |
| **Total** | **184,779** |

in these years at a higher rate than the imports of non-POL products, which grew at 28.5 per cent and 24.8 per cent respectively. "As of FY13, POL items accounted for 34.5 per cent in the overall imports," a Care Ratings report says.

According to the latest data released by Mumbai-based industry body Solvent Extractors' Association of India (SEA),

edible oil imports grew to 11.6 million tonnes (MT) in the current financial year from the 10.4 MT in 2012-13. Currently, nearly 60 per cent of the country's annual edible oil demand of 18-19 million tonnes is met by imports, consisting mainly of palm oil sourced from Indonesia and Malaysia, soy oil from Latin America and sunflower oil from the Black Sea region.

India's per capita consumption is going up by 3-4 per cent every year, with its population expanding at 22 million every year. That in itself leads to an increase of 300,000 tonnes in vegetable oil consumption. "Growing population, growing economy and increasing prosperity are the major factors responsible for driving the energy consumption needs and dependence on imports," according to an industry insider.

On the exports of liquid cargo, India is seeing a good growth. In the first eight months of 2014, Indian refiners exported 10 per cent more oil products compared to last year amid declining demand and rising competition for the export markets and despite a 12 per cent slide in shipments to Europe. India's cumulative oil product exports over January-August at 35.66 million mt (around 1.15 million b/d) were up around 7.8 per cent from the corresponding period of 2013, according to a Platts analysis.

The country's biggest export is gas oil, averaging around 45 per cent of the total this year, followed by gasoline at 23 per cent. Jet fuel exports by Indian refiners occupy the smallest portion of the pie; they accounted for 8 per cent of the total this year, marginally higher than 7 per cent last year.

In terms of regions, the Middle East remains the biggest buyer of Indian oil products, which absorbed about 3 per cent more oil products in the first eight months compared with last year. Saudi Arabia remained the single biggest destination for refined product cargoes from India with a 11-per cent growth over last year, while Singapore (16 per cent growth) and Fujairah in the UAE were the second and third biggest buyers respectively. Brazil became the fourth largest market for Indian barrels this year. Aside from Singapore, Indian barrels found homes in China, Japan,

**Year-wise imports of edible and non-edible oil (in tonnes)**

| Year-wise | Edible Oil | Non-Edible Oil |
|---|---|---|
| Nov 2013 - Sep 2014 | 10,388,215 | 184,779 |
| 2012-13 | 10,384,739 | 293,534 |
| 2011-12 | 9,981,466 | 211,098 |
| 2010-11 | 8,371,459 | 295,770 |
| 2009-10 | 8,823,338 | 418,065 |

South Korea, Taiwan, the Philippines, Indonesia, and Malaysia.

Currently, India's oil product exports are dominated by privately owned Reliance Industries Limited, country's biggest refiner with a 1.24 million b/d high-complexity refining complex at Jamnagar, followed by Essar Oil, which has a 400,000 b/d refinery at Vadinar, along with public sector refiners such as Indian Oil Corp., Bharat Petroleum Corp. and Hindustan Petroleum Corp.

### Infrastructure plans

Phenomenal rise in the liquid cargo movement is set to drive capacity growth at Indian ports and related sectors. The need of the hour is to set up ideal infrastructure across to meet the demands of the sector.

The Shipping Corporation of India (SCI), which has the largest fleet of tankers in the country totaling to over 40 including LNG tankers, plans to acquire further tonnage in the next few years in order to cater to country's growing demand for crude and other petroleum products. The largest tanker operator has deployed the tankers on various international routes serving the Indian oil industry.

While country's largest container port JNPT with a container capacity of 4.1 million twenty-foot equivalent unit teu lags behind other ports in providing terminals for liquid cargo. Even though the port already has a twin berth liquid cargo terminal run by the state oil refiners Bharat Petroleum and Indian Oil Corp at its premises, the capacity is just 5.5 million tonnes with a waiting period running into about six to seven days. "There is a great demand for handling chemical and edible oil. Mumbai Port Trust primarily handles POL (petroleum, oil and lubricants), and our proposed second liquid terminal will build infrastructure to handle edible

> As liquid cargo proved to be a major revenue earner for ports like Mumbai Port Trust, the government is increasingly focusing on developing infrastructure for facilitating greater throughput of liquid bulk cargo at various ports.

oil, chemicals, liquid fertilisers as well as POL products," according to a port official.

Currently, nearly 60 per cent of the revenue of Mumbai port is attributed to liquid bulk cargo. As liquid cargo proved to be a major revenue earner for ports like Mumbai Port Trust, the government is increasingly focusing on developing infrastructure for facilitating greater throughput of liquid bulk cargo at various ports.

Liquid cargo is a highly paid business but at present its contribution is less than a per cent to the company's total revenues. We want to take this up significantly to about 12-15 per cent and so going ahead, our focus is to increase business from this (liquid cargo) vertical, according to Prakash Tulsiani, managing director of Pipavav Port. Of the total revenues, Gujarat Pipavav's container business contributes 65 per cent to total followed by bulk which chips in 25 per cent and the balance is from other facilities with liquid contributing only negligible.

The port has plans to take its total liquid terminal capacity to 2 million tonne in next one to one-and-half years, with an initial increase in capacity of 650,000 tonne. Phase I of capacity expansion at Pipavav is a greenfield project to set up bulk liquid terminal with 31 tanks aggregating to the storage capacity of 1,20,000 KL and 2700 MT bulk gas terminal with estimated LPG handling capacity of 1,00,000 MT. With partial commissioning already done, the project would be fully commissioned by H2 FY2015. The expanded facilities at Pipavav Port will enable the company to expand its horizons by catering to market of Northern and North Western hinterlands. The port is close to main maritime trade routes linking Europe & Middle East with Asia. The new facilities will store and handle petroleum, chemicals and petrochemical products.

"With new capacity, Aegis Group will be able to handling liquid volumes of over 3 to 4 million MT and gas volumes of over 750,000 MT," according to Anish Chandaria, Managing Director & CEO, Aegis Group. Aegis Group, a provider of logistics solutions to oil & gas and chemical industry, recently commissioned bulk liquid terminal at Pipavav Port.

### Infrastructure pipeline:

- JNPT is commissioning its second liquid cargo terminal; it expects to complete the first phase of 20.5 MTPA cargo handling capacity by 2017-18 and accommodate vessels size up to 180,000 Dead Weight Tonnage (DWT).
- Gujarat Pipavav Port has plans to increase its liquid terminal capacity to 2 MT in next one-and-half year, with an initial capacity increase of 650,000 tonne.
- Adani-owned Dharma Port (DPCL) in Odisha has also drafted a plan to have berths capable of handling about 100 MTPA cargo including dry container cargo, liquid cargo, LNG (liquefied natural gas) and crude oil.
- Paradip Port Trust (PPT), the only major port in Odisha, also has plans to develop a berth dedicated for liquid cargo other than petroleum products. It will soon invite expression of interest.
- Among other ports, Krishnapatnam Port and Vizag Port are also planning to develop liquid berths and terminals in the coming years.

# VESSEL TRACKING VALUABLE AND VERSATILE

Vessel tracking systems not only help in maintaining smooth traffic flow at the busiest ports, but also help in monitoring the vast water boundaries of India. **Capt P T Sadanandan** gives an account of VTS installed at major Indian ports and emphasises on the need for minor ports to follow suit.

**Capt P T Sadanandan**
Harbour Master, Chennai Port Trust

The vessel tracking system governed by Chapter V Regulation 12 of SOLAS together with the guidelines adopted by the International Maritime Organization (IMO) aims at improving the safety and efficiency of navigation, safety of life at sea and the protection of the marine environment. Since India is a signatory to the SOLAS convention it becomes obligatory on its part to establish VTMS in ports where the volume of traffic or the degree of risk justifies such services for maintaining vessel traffic and providing valuable service to their operators and customers by guiding the traffic, maintaining traffic data for port information management system, detection of smuggling activities, illegal immigrants, oil pollution etc.,

### The need

An accident or grounding of a vessel in the narrow approach channel of the Indian Ports not having proper vessel management / tracking system may affect the vessel traffic, which ultimately affect the economy of the port/state/ nation.

The installation of vessel tracking system is also considered an imperative need in view of the long and porous Indian coastline of about 7,500 km as reports of utilising Indian coasts by antinational elements for smuggling of goods, gold, narcotics, explosives, arms and ammunition are heard every now and then. Besides smuggling, infiltration of terrorists in smaller boats / vessels also becomes prevalent as was witnessed by the 26/11 attacks in Mumbai.

In the absence of a centralised agency to monitor and guide the vessels in the Indian coast, installation of VTS at the ports will also facilitate monitoring the movement of vessels in close by coastal areas besides safe navigation in the Indian waters. The issue of violating the voyage permission accorded by the Director General of Shipping is also another concern. Though the reason for violating such voyage permission is not a subject matter of this article, it is a fact that in the absence of inadequate vessel tracking facility these things are bound to happen.

It is also observed that vessels have approached the Indian coast and berthed at non-notified areas. This is a very alarming situation and a threat to the nation, in view of the coastal security. Above all, in the absence of a regulatory authority every individual master of the vessels is deciding their own course which is making Indian coast a more accident prone area. Installation of VTS will help to address all the above issues to a great extent. Once the VTS is in place the main three functions, viz. IS – Information Service; NAS – Navigational Assistance Service and TOS – Traffic Organization Service will take care of the above mentioned issues.

The VTS radars can also be useful for the national security agencies like Navy and Indian Coast Guard for surveillance and close monitoring of movement of vessels and activities like Search and Rescue, terrorism, smuggling, illegal immigration detection, protection of artillery firing ranges, control of areas used for weapons testing, radar integration, location of small boats and life rafts.

Notwithstanding the above, the VTS with suitable incorporation of technical features can be used for detection and monitoring of oil spills in and around the port limits, under water surveillance, meteorological and hydrological data collection etc., the VTS will also be of immense help to the offshore platforms in monitoring the hazardous environment of offshore oil and gas exploration and production. VTS service has become an essential safety tool and cost effective facility for protection of platforms, buoys, wellheads, pipelines and Safety of loading / unloading.

The Vessel Traffic Management / Vessel Tracking Systems are installed in many of the busy ports of the world which are having proven track record in providing valuable contribution to safer navigation, efficient traffic flow, and protection of the marine environment. Traffic flow in busy approach routes, access channels, and harbors can be coordinated safely, in the best interest of port and its users. The situations arising out of marine accidents and emergent navigational requirements can be attended without any inordinate delay. The inbuilt capacity of the VTS is capable of recording every traffic movements in the range and these stored data is readily available for the port administration and other Security agencies like Coastguard and Navy

**Installation of VTS at the ports will also facilitate monitoring the movement of vessels in close by coastal areas besides safe navigation in the Indian waters.**

for any navigational and security requirement including search and rescue operations.

### Status of Installation of Vessel Tracking System in Indian ports

The first VTS was established in the year 1996 at Haldia with three radars at Sagar, Frezergunj and Haldia under Kolkata Port Trust. The same system is still functioning and it is learnt that the system is in the phase of up gradation.

**The Gujarat Maritime Board (GMB) has entered into a 30 years BOOT contract and established VTS in the entire Gulf of Khambhat covering all ports in the area.**

Thereafter, many VTS have been established in Indian ports like Mumbai Port Trust and Jawaharlal Nehru Port Trust, Cochin Port Trust, Mormugao Port Trust, New Mangalore Port Trust, Gulf of Khambhat, Gulf of Kutch and Chennai Port Trust. Moreover, ONGC has also established the VTS facility to protect their assets in Bombay High.

Out of the above, Mumbai Port Trust and Jawaharlal Nehru Port Trust have one combined VTS with a total of three radars around Mumbai.

The Chennai Port Trust is having a state-of-the-art single radar system which can be easily modified to detect oil spill within two nautical miles by installing an oil spill detection module. The Gulf of Kutch VTS was established with joint efforts of DGLL, Kandla Port Trust and Gujarat Maritime Board and completed in the year 2011.

The Gulf of Khambhat VTS is built on BOOT basis. The Gujarat Maritime Board (GMB) has entered into a 30 years BOOT contract and established VTS in the entire Gulf of Khambhat covering all ports in the area. This VTS has 8 radars and unlike a Port VTS this is a coastal VTS, which covers the entire Coast of Gulf of Khambhat thereby facilitating vessel safety and improved surveillance in the area.

### VTS components and possible up-gradation

Normally VTS consists of Radar, AIS, meteorological and hydrological sensors, VHF radios, microwave links, Electronic Navigational charts and software that is super imposing all these targets on ENC. The VTS can be easily upgraded to detect oil spill with the help of Synthetic Aperture Radar (SAR) on the satellite, under water surveillance and dynamic under keel clearance. If the under keel clearance by VTS is promulgated, then it will benefit the shipping trade and will save logistic costs to a great extent.

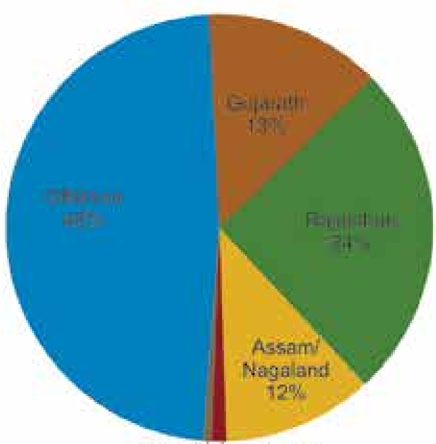
### VTS – Way Ahead

It may not be wrong to state that a properly staffed, managed and equipped VTS system is a valuable and versatile tool that can be integrated with other services and functions including pilotage, aids to navigation, search and rescue, law enforcement including customs and immigration. It is, therefore emphasised that in order to improve the efficiency of ports and waterways and to reduce the risk of marine accidents, installation of VTS is considered a necessity to provide timely, accurate, and relevant information to mariners. Also, in the ever increasing security threat scenario, Vessel Tracking system is being recognised as a significant contributor to enhance port and waterway security. As of now, VTS is required to be installed in a few more Major Ports and many minor Ports of the State Maritime Boards, private Ports and private Jetties. It is beyond doubt that VTS will play a more important role for the overall safety measures not only in a regional geographical area but also around the globe by sharing data obtained by each regional/local VTS with the different VTS systems in the days to come. mg

# TOTAL CRUDE OIL IMPORTS IN 2013-14 FROM 35 COUNTRIES: 189.24

- 4.94 MT MEXICO
- 6.31 MT COLOMBIA
- 11 MT IRAN
- 13.98 MT UNITED ARAB EMIRATES
- 16.36 MT NIGERIA
- 20.35 MT KUWAIT
- 24.63 MT IRAQ
- 30.39 MT AFRICA
- 31.73 MT LATIN AMERICA
- 38.18 MT SAUDI ARABIA

### INDIA CRUDE OIL PRODUCTION BY REGION, 2013




Sources: U.S. Energy Information Administration, India Ministry of Petroleum and Natural Gas

# 'REFORMS IN INDIAN MARITIME LAWS & REGULATIONS IS THE NEED OF THE HOUR'

Indian Maritime Law Association (IMLA), a non-governmental organization and the official affiliate of Committee Maritime International (CMI), organised a one-day conference on "Relooking regulations for fast-tracking growth" in Mumbai.

Despite India's vast coastline of 7,500 km that provides a plethora of opportunities for the ports and shipping sector to grow, the Indian maritime industry is crippled with several issues including decade old laws and regulations, needs a revamp.

Currently, the maritime industry has to comply with several laws and guidelines across government departments and agencies such as Ministry of Shipping – The Merchant Shipping Act; tariff authorities – Multimodal Transportation of Goods Act, Ministry of Finance – customs, service tax and income tax guidelines, Ministry of Environment & Forest – Indian Forest Act, Water (Prevention and Control of Pollution) Act, hazardous waste management guidelines, Ministry of Animal Husbandry – Indian fisheries Act, Marine Fishing Regulation Act, Ministry of Health and Ministry of Commerce Foreign Trade and Ministry of Food. "Apart from these union government regulations, there also exist plethora of laws and regulations under respective state governments," NN Kumar, Chairman, Jawaharlal Nehru Port Trust (JNPT), said.

Bringing reforms in the Indian maritime sector is the need of the hour, according to panelists at the Indian Maritime Law Association (IMLA) conference on "Relooking regulations for fast-tracking growth".

Adding in the same lines, Captain Sunil Thappar, Director (Bulk Carriers and Tankers), The Shipping Corporation of India Limited, said, "Since the year 2007, a lot of things has changed in the shipping trade, however, nothing much has changed on the laws and regulations front."

India with a vast coastline of around 7,500 km has 12 major ports and 200 minor ports. The ports are governed by the Ports Act 1908 and the Major Ports Act 1963. Major ports come under the ambit of the Union government while


(From L to R) **Capt J C Anand**, Ex Chairman, Indian Register of Shipping; **Mr Julian Michael Bevis**, Senior Director, Group Relations, South Asia, A.P. Moller–Maersk Group; **Mr Shardul J Thacker**, Partner Mulla & Mulla & Craigie Blunt & Caroe; **Mr Arun Kumar Gupta**, Chairman & Managing Director, The Shipping Corporation of India Ltd; **Shri K R Shriram**, Hon'ble Justice , Mumbai High Court; **Mr Deepak Shetty**, Joint Director General of Shipping, Directorate General of Shipping; **Dr B S Bhesania**, President, Indian Maritime Law Association; **Mr Prashant S Pratap**, Senior Advocate, PSP Law Office, Mumbai

the minor ports fall under the ambit of respective state governments. Only a few states including Gujarat, Maharastra and Tamil Nadu have Maritime Boards to regulate, control and manage the minor ports.

If you notice last few years of cargo growth, all the growth has happened in the non-major ports, while the major ports remained stagnant. Among major ports, JNPT is the only vibrant port where it has single-handedly attracted foreign direct investment (FDI) of around ₹14,000 crore, of which ₹5,000 crore has already been invested. "Despite the investment, there are many issues faced by the port including the several Acts," Kumar of JNPT says.

"If you compare India with global counterparts, we are not among the top 20. The perception of investors regarding the plethora of laws is not encouraging," Kumar added. The share of Indian companies in the country's overseas maritime trade has not been encouraging over the years. The share, which was at 40 per cent once upon a time, now is languishing at about 8 per cent.

"In the ports sector, the challenges are three-fold. There are growth challenges, demand challenges, governance and institutional challenges, third challenge is energy and technological challenges," Capt B V J K Sharma, JMD & CEO, JSW Infrastructure Limited, said.

According to projections, India's cargo capacity all ports put together is estimated to see a three-fold jump to reach at 3,000 million tonnes by 2030 from the current less than 1,000 million tones. In order to address the growth in cargo, the ports need to have a combined capacity of around 4,000 million tonnes and the total investment is estimated to be around 300,000 crore during the year.

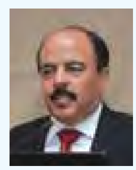
"Reforms are necessary in order to attract more investment in the ports sector; the most important reform being the tariff deregulation," KK Sinha, CEO & Executive Director, Essar Ports Limited, said.

There are three different regimes under which tariffs get fixed for major ports, so there is a kind of dissatisfaction and inequality among the terminals in the same ports being governed by different sets of guidelines. "The new government is going to table a bill in parliament to enable to corporatize major ports. Once the ports will be corporatized, they will be out of TAMP guidelines," said Rajeeva Sinha, Whole Time Director, Adani Ports & SEZ Ltd.

"There is an increased momentum to try and simplify procedures and making the transactions simple in the coming years"

**Deepak Shetty**
Joint Director General of Shipping
Directorate General of Shipping

"Apart from the regulations under the purview of the Central government, there also exists a plethora of laws under respective state governments"



**NN Kumar**
Chairman,
Jawaharlal Nehru Port Trust (JNPT)

"In the ports sector, the challenges are three-fold. First being the growth and demand, second the governance and institutional challenges, and third is the energy and technology"

**Capt B V J K Sharma**
MD & CEO, JSW Infrastructure Limited

TS Balasubramanian, Member (Finance), Tariff Authority for Major Ports (TAMP), said, "There is a gradual shift towards deregulation. TAMP has already shifted from 2005, 2008 and 2013 guidelines, which has taken a small step towards deregulation. They gave allowed 15 per cent flexibility in the tariff."

According to panelists, positivity is already around after Prime Minister Narendra Modi's announcement of his government's focus to converge several ministries. Also, the Central government has recently set up a committee for the integration of transport and logistics. Transport and logistics being an integral part of maritime industry, many industry stakeholders have welcomed the development. According to Deepak Shetty, Joint Director General of Shipping, Directorate General of Shipping. "There is an increased momentum to try and simplify procedures and making the transactions simple in the coming years."

Panelists discussed at length various law and regulatory issues pertaining to the industry including the archaic shipping laws of the country, its adverse effect on its foreign trade, shipping bye-laws, procedures, rules and regulations, the implications of the new guidelines and its Investment and PPP scenario in port sector, etc, over three sessions themed at 'Pitfalls of Indian Shipping', 'Cabotage, Tariff & PPP' and 'Customs & Taxation' at the one-day conference organised by IMLA. IMLA's objective is to promote and advocate the advancement of Indian maritime law and regulatory issues affecting all Indian stake holders in the maritime and offshore industry. The one-day conference saw participation of various industry stakeholders including shipping regulators, corporations and individual stake holders in the shipping and offshore industry including ports and terminal operators, ship-owners, merchants, manufacturers, insurers, maritime lawyers charterers, classification societies, etc. mg

# The case of Poompuhar Shipping Corporation Ltd.

## Royalty paid for commercially chartering ships is taxable, rules the Hon'ble Madras High Court.

**Girish Mistry**
Partner - International Tax and Regulatory
BSR and Co

The Hon'ble Madras High Court has recently in the case of Poompuhar Shipping Corporation Ltd wherein on the payment of consideration for time charter, held that such payment is for use / right to use the ship and hence would be taxable as 'royalty'. The High Court in its 167 pages order had interalia evaluated the issue in detail.

The key facts of the case stated in brief are as under:

### Facts

- The assessee is a Company, engaged in the business of moving coal from various ports in India to Chennai, chartered foreign shipping vessels and entered into time charter agreements with foreign shipping companies. These companies were based out of various countries having their vessels registered in respective countries.
- In terms of agreement, the assessee company had control over the captain and the payment had been made towards hiring of ships on a fixed rate per day basis.
- The Assessing Officer contended that the charges paid by the assessee was on account of the use and hire of the ship and would constitute 'royalty', as per provisions of the income tax act.
- The assessee contended that the charges paid to the foreign companies for hiring the ship would not fall within the definition of 'royalty' and the use of the ship would not amount to use of equipment.
- It was further argued that the charges paid under time charter arrangement could only be treated as for rendering of services, which would be assessable as business profits thereby falling under Article 8 of the DTAA. In the absence of business connection and permanent establishment of the foreign shipping companies in India, payment should not be taxable in India.

### Decision of the High Court

Payment is for right to use (any purpose)/ irrespective of possession / general control / custody of ship

- For the purpose of understanding 'royalty' there is no necessity of emerging termination of rights of the owner and so long as the assessee has the custody and has the right of economic exploitation of the ship on payment of charges.
- Irrespective of whether there is any transfer or not, the consideration paid for use or right to use simplicitor is sufficient for the consideration being called as 'royalty'. The presence or absence of possession effective/ general control and custody is not relevant to decide the character of payment.
- While observing various clause of agreement, the Hon'ble High Court observed that in terms of agreement, assessee had the right to use the ship, selecting the time and deciding route as required and therefore, consideration paid to foreign company, would be constitute royalty.
- The substitution of word 'equipment' with 'experience' in OECD model (in expression 'right to use') cannot be pressed to contend that the payment under time charter cannot come under the definition of 'royalty'.
- Thus, it observed that (even where physical possession is not with the

transferee / lessee / hirer) payment made for the use of or right to use of an equipment, would fall under the head of 'royalty'.

### Ship is an equipment

- There is no specific definition of 'equipment' in Section 9 and it is to be referred in context in which it is used. Therefore, reference to the block of assets would not have relevance, but definition of plant given in Section 43(3) (as pertaining to computation of business profits), would be relevant, which includes Ships.
- Even in context of Section 44BB, 'ship' would fall within the definition of 'equipment'.
- It observed that the definition of 'plant', as including 'ship' will be the appropriate definition for the understanding the scope of the expression 'equipment'. Further, plant includes 'all equipment' used by a businessman for carrying on his business and that ship is an equipment used for carrying on business.
- Presence of word 'any' preceding an equipment, clearly points out the need for construing 'equipment' to embrace every article employed by the employer for the purposes of his business.

In view of above, the Hon'ble High Court upheld the revenue's contention that ship being a plant / equipment, which has been commercially exploited for earning the income from chartering of ship, payment made for chartering it is taxable as 'royalty'.

The decision would have implications on time charter arrangements for ships, dredgers wherein the argument have been that the payments are for rendering of services, however the High Court has held that even the consideration paid for use or right to use simplicitor is sufficient for the consideration being called as 'royalty'. The terms and conditions of the time charter would also play key role in determining the exact nature of the payment, i.e., whether for 'use or right to use' of vessel simplicitor is there.

It is well known fact that the charter agreements are standard agreements used by the parties in transport and logistics sector as well as large manufacturing companies which hire ships for transport of raw material and finished goods. It would be essential to relook at these standard agreements to bring out the factual aspects in more detail to capture the true nature of the arrangement, else, the same may be considered as payment of royalty liable to withholding tax. If the Charterer has not withheld appropriate taxes, it could face the rigors of section 201(1) of the Income Tax Act, 1961– being considered as an "assessee in default" for not withholding appropriate taxes and thereby called upon to pay the same with interest under section and 201 (1A) of the Income Tax Act, 1961.

# Indian port capacity in need of expansion – Assocham

India would need to undertake massive investments and upgrades at its seaports to handle future traffic, a study by Assocham titled "Shipping Industry: Today & Tomorrow" revealed. Growing at a compounded annual growth rate (CAGR) of over 8 per cent, the seaborne trade in India may cross 830 million tonnes (mt) mark by 2016-17. "This would require massive investment to the tune of over ₹17,000 crore as there is a need to augment the port capacity by over 140 mt from the current level of about 690 mt."

"The private sector participation is imperative for such huge investments in the shipping sector," said D S Rawat, national secretary general of ASSOCHAM. "Lack of level-playing field for the private operators, hinterland connectivity, especially lack of coordination between road, rail and port authorities and proper risk allocation are certain key issues affecting port development in India," said Rawat. "These issues must be addressed for enhancing and increasing port capacities and efficiency." The government needs to act as a facilitator to create opportunities for attracting fresh investments in the shipping sector, more so as about 41 per cent of India's fleet of ships belong to the 20 plus age group indicating a slow rate of new fleet addition, highlighted the study.

"This augurs well for the ₹7,300 crore worth India's shipbuilding and ship-repair industry as 20 years plus older ships require more frequent and extensive repair and maintanenance," said Rawat. "However, this makes Indian fleet less competitive as mostly young vessels below 15 years old are often preferred in international trade."

The drastic decline in share of Indian ships in carriage of overseas trade over the years is a significant concern. Indian shipping carriage dropped from about 36 per cent to just about 8 per cent during the period from 1990-91 and 2009-10. This is causing a drain on precious foreign exchange in terms of payment of freight charges and this could instead be used for other high priority imports and scaling up infrastructure facilities. India can save upto a whopping ₹26,000 crore by 2016-17 if we can increase the share of coastal shipping in total traffic carriage thereby reducing the burden on other modes of transport. There is a need to encourage coastal shipping as a viable mode of bulk freight transportation as it has just about 3 per cent of share in carrying regional traffic. There is a need to improve the ports' connectivity as Indian ports find it difficult to handle additional traffic due to slow evacuation process.

# TIME TO RAISE THE STANDARDS

**For long, Indian seafarers have been on demand worldwide, but the scenario is fast changing and focus for manpower has already shifted towards far eastern countries. Col Dr G Thiruvasagam suggests measures to raise the quality of manpower being groomed at Indian institutes.**

**Col Dr G Thiruvasagam**
Vice-Chancellor, AMET University
Chennai

Recorded history, which is only a tip of the iceberg, recalls India as a seafaring nation since 3000 BC. Towards the end of 9th century AD, under the suzeraintyof the chola dynasity, southern India in particular had developed extensive maritime and commercial activity extending upto China and South East Asia in the east. In 1906, the charismatic shipowner V.O.Chidambaram Pillai, established the "Swadeshi Shipping company" an all Indian shipping company in response to British India's trade monopoly. A key milestone in the seafaring legacy of India was reached on April 5, 1919, later called as the National Maritime Day of India, when the Indian owned vessel *S.S.Loyalty* sailed out of Bombay Harbour for London. Despite such commendable ventures, there were no facilities to impart maritime training to Indians to become merchant navy officers till 1927.

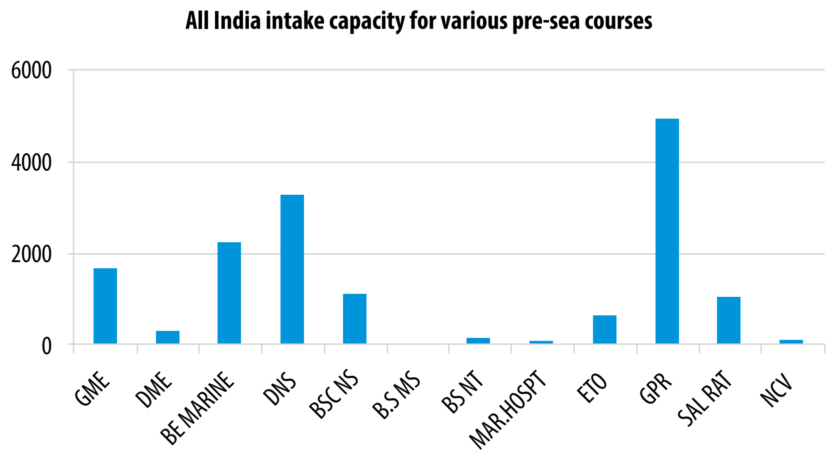
The year 1927 was called as the remarkable and epoch making year in the history of Modern Indian Shipping because of the initiatives took by the Great Visionary Sir P S Sivaswamy Iyer, for the purpose of fostering maritime training, education and development in India. It was his vision and advocacy, which led to the acceptance of a resolution on March 19,1926 by the central government to commence the Indian Mercantile Marine, which triggered the commencement of organised seafarer training in India. The first batch of maritime training commenced on December 5, 1927 with 50 nautical cadets on board Training Ship *T. S. Dufferin* thus paving the way for a career at sea.

*T. S. Dufferin* had trained 2,656 cadets by 1972 when it was decommissioned. The training ship *T. S. Dufferin* was replaced by Training Ship *Rajendra* named after the King Rajendra Chola, which was specifically designed and built as a modern training ship by Hindustan Shipyard to train 250 cadets at a time as against the earlier capacity of 160 cadets.

The Training Ship *Dufferin* and *Rajendra*, illustriously served for a total period of 66 years dedicated to Maritime Education and Training. It is a matter of great pride that the alumni of the two training ships include Chiefs of Naval Staff of the Indian Navy, many admirals, Nautical advisors, chief surveyors with the Government of India, besides many senior executives, masters and chief engineers in various shipping companies. Later, when it was felt that the training output needs to be increased, an onshore training institution ship *Chanakya* was established on April 5, 1993, the national maritime day of India. The

demand for maritime training, education and development, soared with the amendments to Standards of Training, Certification and Watch keeping convention (1978), which felt the need to liberalize Maritime Training in India, thus free market entered in 1997. Private players were encouraged by DG shipping to set up training facilities on a commercial basis to meet the huge training demand. The opportunity was availed by several private players, establishing their own maritime training academies, which has eventually led to the current stock of 146 DGS approved maritime training academies all over India. The DG approved courses can be broadly categorized into three categories namely modular courses, competency courses and various familiarisation courses.

The outcome of privatising maritime training in India is evident from the BIMCO manpower 2010 update, that Indian subcontinent had supplied 80,000 officers and 108,000 to the global shipping industry. India is the fifth largest supplier of officers with a global share of 6.3 per cent and the Indian maritime agenda aims to achieve a global market share of 9 per cent by year 2020. The present challenge is the quality of officers and rating, which are being churned out from the training academies which have mushroomed over the past decade. For long, Indian seafarers has been on demand all over the world than any other nationality, for reasons such as; good communication skills, work efficiency, administrative skills, loyalty, strong fundamental education and perhaps they are not expensive when compared with

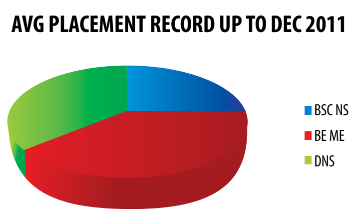



**Source:** *DGS*

seafarers from OECD countries (Europe, North America, Japan etc.,). But the scenario is fast changing, and focus for manpower had already shifted towards far eastern countries. The biggest threat to Indian seafaring community is from countries like Russia, China and Philippines. This is apparent from the average placement record for the last three years until year 2010 that 100 per cent had not been achieved by any of training institutes in India.

The key reason that can be attributed to the placement deficit are, low quality training institutions which promise sea training slots not backed by adequate underlying capacity. The uncertainty leads to exploitation and deters good quality seafaring aspirants. The real challenge is in providing adequate sea training berths which are in short supply thereby choking the entire supply chain (relatively less tonnage under Indian flag 1.5 per cent: sea farers 6 per cent). At present there is a large stagnation of cadets passing out from stand-alone training academies than institutes run by shipping companies. The following strategies are suggested to overcome the stagnation and facilitate the movement of passed out cadets to find their feet onboard for sea training:

- Stand-alone training institutes can have a transparent understanding with shipping companies, with respect to the cost of training berth onboard shipping company vessels and such cost should be incorporated in the training fees, so that the aspirants are enabled to avail necessary loan facilities to channel the required funds.




- There should not be any compromise in the sea time, if the same was served on coastal vessels, vessels involved in inland water transport etc., as long as the minimum GRT of the vessels are in compliance with the certificate of competency requirement.
- Creating additional cabins for trainees in new ships that are ordered or constructed. To that any regulatory constraints imposed by MS Act crew accommodation rules could be reconsidered or removed.
- Vessels which encourage additional training slots and shipping companies which allocate at least one ship from their fleet as training ship with a major share for Indian market at entry level could be rewarded with appropriate percentage of tax exemptions.
- The Global Onboard Training centre (GOBTC) initiative by IMO, which aims to increase onboard training opportunities by mobilising and deploying globally available resources through a well organised management system, is a viable mechanism which could be availed by Indian administration by signing Memorandum of Understanding with the existing six maritime administrations across the globe.

As per the Indian Maritime agenda 2020, the onboard training requirement of seafarers is to be aligned to STCW 2010 provisions. Existing duration of sea training for nautical cadets and pre-sea training for engineering officers exceeds STCW 2010 provisions. Further our maritime education system should focus more on hands on training, in the sense that cadets should be exposed adequate number of ship visits during their training period. At present this is becoming increasingly difficult because of the restrictions imposed by ISPS regulations.

The results of BIMCO-ISF 2000 report confirms that shipping industry lost its sheen in OECD countries and the supply of maritime human resource has moved away from OECD countries to Indian subcontinent and about to settle on far eastern countries. The present Indian seafaring community is basking in the talent and efficiency established by the senior seafaring community of India. Needless to say the strong fundamental education system of Indians and their commendable communication skills in English language are the key factors that are having a grip on their eventually fading demand at the entry level of a marine career. However, the demand for Indians at senior officer levels still persists because of their management skills.

As per the BIMCO manpower 2010 update, the industry is likely to face a challenging future for crewing. The industry will most probably face a continuing tight labour market, with recurrent shortages for some officers, particularly if shipping markets recover. The shortage is likely to increase if efforts are not made to reduce wastage of officers and ratings from the industry. This means that many of them, who are joining a marine career are not realising the crowning of their career, which is either becoming a master mariner or a chief engineer. The Indian maritime administration should take stock of this lapse and should embark on a task keeping mission to achieve the objectives of maritime agenda 2020.

# YOUR FINANCIAL FITNESS TRAINER

Ye shipping firms that are on a wing and a prayer, here's your Messaiah! With a bag of quick-fix tricks and a magic wand to waive bad debts and bring back goodwill, Dr Alvarez and Marsal is here to soothe your financial fears.

Deepika Amirapu

If you are familiar with what the recession did to big corporate entities, then you will also be familiar with Alvarez and Marsal. But just in case the name does not strike anything, here's what they do. They piece together firms wrecked by economic cyclones, bankruptcies and bad decisions and help them back to financial and managerial operability.

The world first sat up and noticed the Wall Street Doctors, as they are popularly known, in 2008, when Lehman Brothers startled everyone on a fine winter morning announcing its only possession was billions of toxic assets. "That was the day hundreds of A&M employees walked in as Lehman employees," says Manish Saigal, Managing Director, Alvarez and Marsel India, describing the immedicacy of their intervention to save the company from other legal damages. The firm helped Lehman prepare living wills, assess, comply with emerging regulatory environments and manage enterprise risks. Many of Lehman's properties around the globe had to be liquidated and depositors and lenders had to be assured they would recover at least a small portion of their investments in the bank. After three years and many sleepless nights, A&M's team gave each investor 70 cents against every dollar devoted to the bank as against the 20 cents that was expected.

It was in this same dramatic year that A&M set foot in India. Although India was only feeling the shock of the systemic collapse of the West's banking sector, the consulting firm cherry-picked professionals from areas of management, finance, human resource, advisory and business strategy to bail out firms in distress. Their aimed to unbind Indian companies from the tangles the crisis was leaving them in. This might perhaps remind you of what the Big Four do. However, there is a marked difference in what the Big Four and A&M do. If audit and tax are the salient features of Price Waterhouse Coopers, Deloitte, KPMG and EY, Alvarez and Marsal is a pure consulting firm. A&M has an operator driven model where chief executives and financial officers undertake interim management model to bail companies out. "We get in to companies in active capacities and we take on roles to put companies back on their feet. This is the key differentiator between us and the other management consultants such as Bain and Co." In any of the Big Four, a partner has about 40 associates working under him. But in A&M a senior employee, say, the managing director has only four people under him, each of them having over 15 years of experience in the industry.

"A&M does more than just surgery", its associates say. Once its band of professionals is tasked with fixing a company, they pore over ledgers, resolve legal cases, replenish swiped


**The shipping sector's Dr Fix it is here**

bank accounts and ensure clients line up for business before they re-instate the previous management. Once they take over the management, the A&M team gets paid remuneration for conducting all the operations. "We carry their cards and we have a lot more at stake than the company's promoters with all the statutory liabilities that come around our positions," an associate said.

From its India office, A&M offers turnaround and restructuring advisory, interim and crisis management, performance improvement and transaction advisory services to Private Equity firms, local and multinational firms and banks. Additionally, A&M brings industry expertise to India in a range of sectors.

In the last few years, the financial doctor firm's contribution has been noticed in the shipping and transport sector. So how does A&M swoop down on companies who are in distress? Saigal explains it was the bankers who approached A&M to help shipyards and lines that had or were on the verge of filing for Chapter 11. When Bharti Shipyard hit the panic button and could not pay its loans, an alarmed State Bank of India solicited A&M's help. In the next two weeks, Bharti's executives made way for A&M's.

They began first by addressing the cash flow issues. Typically, shipyards in India during recession were struck by dwindling cash flows because ship lines cancelled or deferred orders around delivery time to protect their P&L accounts from debit entries. A&M launched a rapid cash extraction exercise to sustain operations. They reviewed new orders and encashed bank guarantees where orders looked certain. Then cost reduction measures were taken to stabilize the EBITDA. Each of these exercises lasted for a quarter or six months depending on the severity of the situation. "On an average, it takes anything from six months to two years to help a firm attain stability in operations and come out of the ICU state," Saigal says.

A similar assessment was done for other shipyards reporting such problems. A 'stop loss' operation was launched and subsequent steps were taken to see if the cargo vessels could be altered to suit defence requirements. If these steps still did not provide relief, vessels were

auctioned in the secondary markets to bring in cash to support working capital requirements and resume repayment of interest. But this process is not as simple as this is being story re-told. "Lenders put constant pressure on us saying they want their monies. Even if banks are supportive and agree on a moratorium or a package, they want us to fill them in from time to time and do not want any deviation from the plan," Saigal said.

These, A&M's associates say, were quick fix cases compared to what shipping lines were going through during the same period. Shipping lines glocally had overestimated the demand or capacity and large vessels were ordered for to cut the cost of running a kilometer. This unchecked optimism led to two major problems- Created non-existing demand of 50,000 Teu and infused supply by ordering large vessels with ship building companies. To make way for larger vessels, the smaller ones that are usually deployed on regional routes were phased out. Shippies were now struck by a double whammy because when the demand numbers did not add up to the prediction, they were pressurized to fill in the big ships. But cargo was nowhere to be found. The absence of cargo started creating a pressure on the supply side because the smaller ships deployed on regional routes by other players were competing with the big brothers and the fight for cargo led to unhealthy slashing of freight rates. "There were times when ship owners shipped cargo for free or for as little as $ 10 per Teu to China because they were at least sure of filling half the ship on one leg of the journey," Saigal says.

Such desperate times call for desperate measures. To avoid the situation spiral out of control, A&M toyed with many possibilities of cutting manpower, cancelling unprofitable lines and sometimes even conserving utility bills. Once everything in house was tackled, banks were approached for a corporate debt restructuring package. India's shipping lines had a peculiar problem.

Unlike other countries that national shipping line was a healthy, unassailable force, supporting smaller ones by taking them into its fold, India's shipping lines neither had government backing or an enviable war chest to combat difficult times. Any merger with a major shipping line globally was not possible as they would have gained little from buying huge loans and little business.

But shipping lines are not entirely to blame. Saigal says Indian ship owners particularly face the problem of high duties as a result of which bunker charges double. Many ships were also asked to prune the extravagance in operations where plush offices and king size lifestyles had to be under check to prevent any further erosion of economic value existing for the lines. Manish Saigal and his able senior management team have thus far helped turn around eight shipping lines and yards already globally and are now expecting a call from four more firms who are in harm's way. Here's a free word on how to guard your firm from an unexpected high tide- Be very cautious with your orders, fleet mix, overheads and have a good competitive benchmarking of where your company should be and most of all, innovate to reduce operating costs.

These rescue operations did help shipping lines and ship building yards a great deal, no doubt, but what took Alvarez and Marsal by surprise is when healthy firms started turning up at their office. You're right if you guessed they were looking for help to grow. "A lot of clients, particularly in the logistics space are appreciative of our operational skills. So they thought of calling us when are stuck and want to be shown a direction to grow," Saigal said. That, Manish and his associates reckon is the growth story of A&M as well. Helping firms expand their business and show private equity firms a place to invest.

Since their coming to India, shipping and transport verticals have been the biggest business getters for A&M. Their personnel strength has grown from five to 45 in the last six years. The other sectors that look promising are retail, food and agro industries and logistics. Infrastructure and healthcare too are busy areas where A&M would want to lend its expertise to. In the next few years, Manish Saigal sees a lot of consolidation in the shipping industry. And he hopes to help these companies go, grow or stay. mg